

Nation's Business

A USEFUL LOOK AHEAD

MAY 1957

HOW TO BUILD KNOW- HOW FAST

PAGE 34



Federal grants threaten states' strength PAGE 29

How to say what you mean PAGE 76

What to expect from foreign aid PAGE 40

Here's way to cut costs PAGE 116



Nevins shoal-draft 40-foot yawl, "Series A," cut away to show a few of the many places Anaconda marine metals are used in building a fine boat. Designed by Sparkman & Stephens, N. Y. Built by Nevins Yacht Yard, City Island, N. Y.

Look for seaworthy Anaconda metals in these vital spots

REFERENCE LIST

FASTENINGS: 1 Keel and frame bolts, 2 screws for planking, fittings, and hardware—Everdur.

FITTINGS: 3 Turnbuckles, 4 cleats, 5 chocks, 6 winches, 7 all spar fittings—Everdur.

STRUCTURAL: 8 Hull strapping, 9 chain plates, 10 mast step, 11 centerboard and 12 trunk, 13 rudder strapping and fittings—Everdur. Power boat metal parts in slipstream or turbulence—Naval Brass, manganese brass or phosphor bronze. 14 Rudder post—Tobin Bronze.

HARDWARE: Hinges, handles, 15 lights, trim, 16 binnacle housing—brass or Everdur.

POWER: 17 Propeller shafting—Tobin Bronze. For high speed, heavy duty—Tempaloy. Fuel line, 18 muffler, 19 exhaust tubing—copper. 20 Fuel tank—tinned copper or tinned Everdur.

MISCELLANEOUS: 21 Plumbing for head and galley—copper tube with brass or bronze fittings. 22 Water tanks—tinned copper.

THE PROBLEM: Water's the big enemy of metal. Copper, of course, won't rust and it does a wonderful job of resisting corrosion. But in many uses, it isn't strong enough. Even some brasses and bronzes can't take tough marine service.

THE SOLUTION: Over the years, Anaconda's American Brass Company developed special alloys for a wide variety of marine needs. Everdur,[®] Anaconda's family of copper-silicon alloys, heads the list. These alloys are equivalent to pure copper in corrosion resistance, yet possess high strength and toughness.

Tobin Bronze,[®] another exclusive

Anaconda product, is the time-proven leader in propeller shafting. In addition, there is a long list of special Anaconda brasses and bronzes, suited to marine uses.

THE FUTURE: Just as Anaconda helps our number-one recreation industry with its special metal needs, it can help you. For Anaconda and its manufacturing companies—The American Brass Company and Anaconda Wire & Cable Company—offer the world's broadest line of nonferrous metal products. For help in your metal problem, call the *Man from Anaconda*. The Anaconda Company, 25 Broadway, New York 4, N. Y.

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New addition to the "family!"

Dolores Taschner has been helping make transistors at our Allentown (Pa.) Works for a little over a year. She is one of the many people who have joined Western Electric recently. They have swelled the size of our "family" from 94,000 to 132,000 during the last two years.

Why the increase? You can look in your community for the reasons...to the new families and businesses in town requiring telephone serv-

ice or more of it. For it's our job—as the manufacturing and supply unit of the Bell System—to help the Bell telephone companies meet the demand for more telephone service. And our new people—guided by our veteran workers—are helping us make more telephones, more wire, more cable, more central office switching equipment...things that help provide even better Bell telephone service for you and your community.

Western Electric



MANUFACTURING AND SUPPLY

UNIT OF THE BELL SYSTEM

Nation's Business

May 1957 Vol. 45 No. 5

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Washington 6, D.C.

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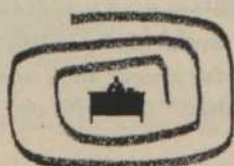
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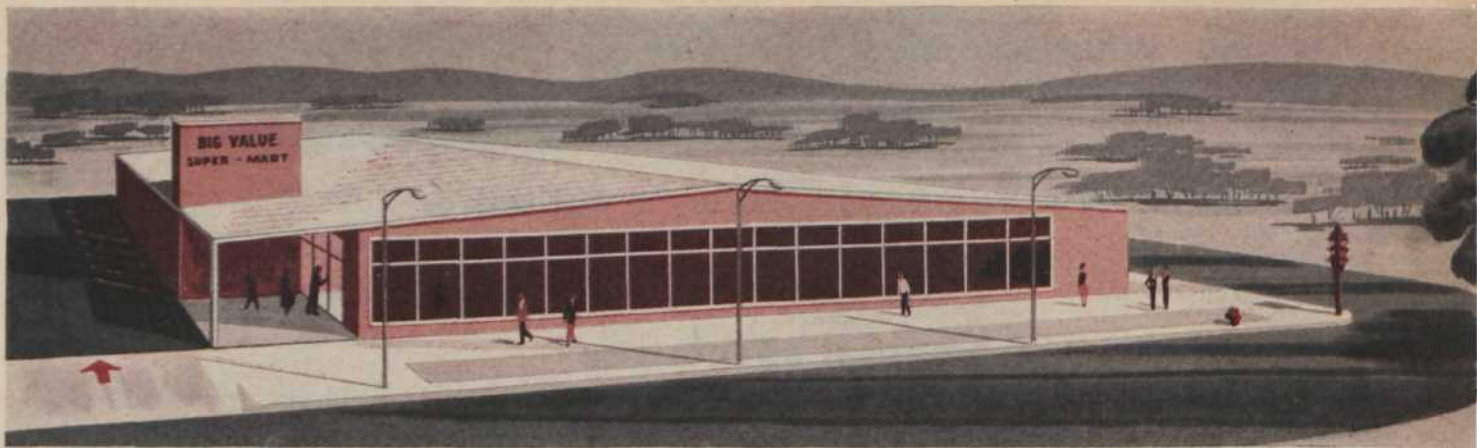


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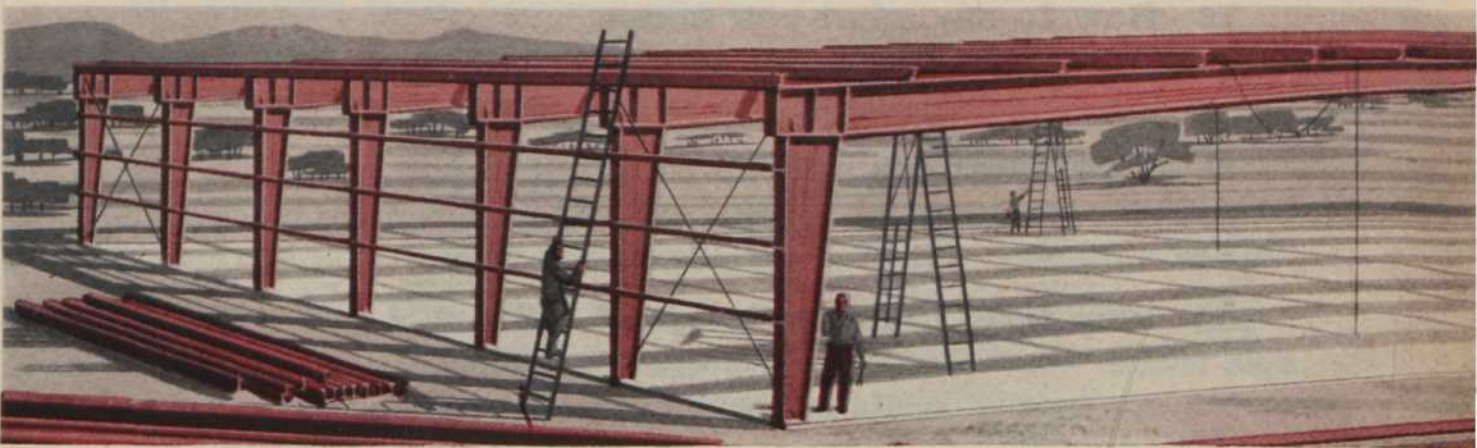
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New Butler Low-Profile Building System clear-span interiors to super markets,

Now, you can get modern, flat-roof appearance in a commercial or industrial building with the efficiency only a clear-span interior can offer. Yet you pay no more for this unique combination of advantages than for ordinary construction with its forest of interior posts and trusses.

An exciting "first" in modern construction methods makes it possible. It's a new, low-profile building system developed by Butler, world's largest manufacturer of pre-engineered buildings. This building system uses a specially designed steel framework so strong it can bridge floor areas up to 100 feet wide without using a single post or roof truss. The interior is wide open—wall to wall. There's nothing to

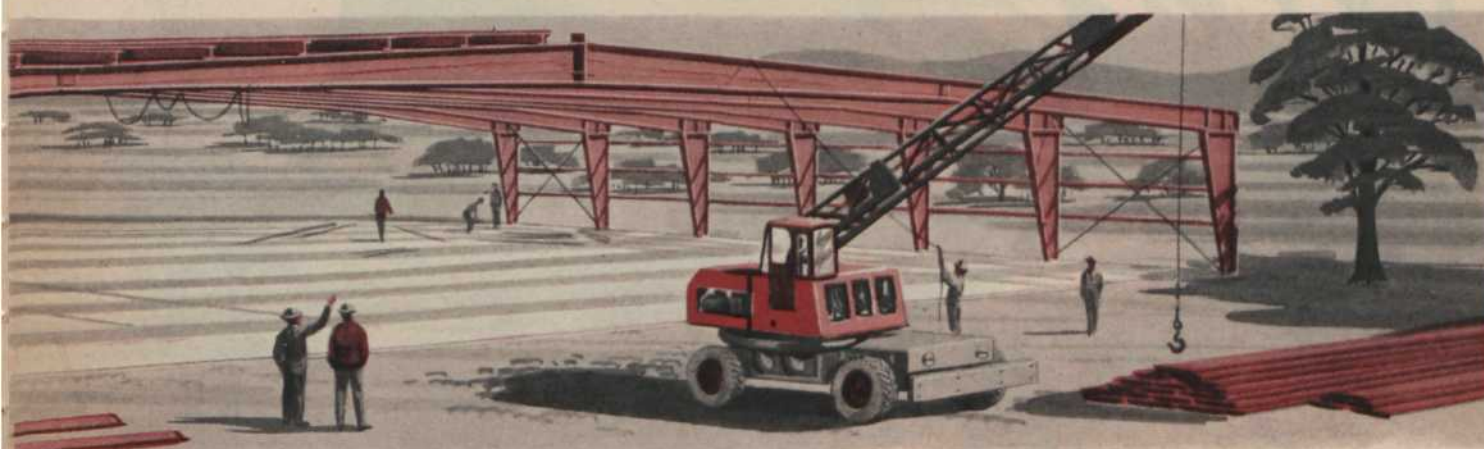
limit layout planning, partitioning, illumination or decoration. Outside, the roof line of this framework is so low that the building it produces looks almost flat roofed—as modern as today's newest architecture.

With traditional construction methods, this combination of a low roof profile and a clear-span interior is virtually unattainable at any reasonable price. Yet, because of the construction economies inherent in the Butler Building System, you get both at no extra cost.

For details of this new low-profile building system, contact your nearby Butler Builder. He's listed in the Yellow Pages of your phone book under "Buildings" or "Steel Buildings." Or write us.

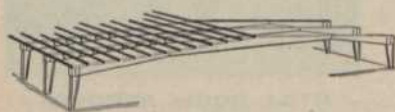


AND HANDSOME



brings modern, sweeping look and
showrooms, factories and warehouses

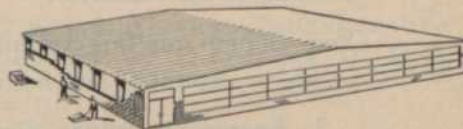
**Here's why the Butler Building System is the
lowest cost way to build well**



Steel framework is pre-engineered to fit together perfectly and speed construction. Frames are mass-produced for lower cost. Selection of widths and lengths.



Fire-safe metal roof panels are bolted on as soon as framework is up, putting building under roof in days. Interior finishing can start earlier and proceed faster under cover.



With "core" of building in place, walls, partitions, windows, architectural treatment and insulation cost less since non-load bearing construction can be used.



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burning water...

A carelessly flicked match or cigarette...

A forest dies. Water, no longer absorbed by the sunbaked soil, runs off... carries with it irreplaceable topsoil. Another natural watershed... life and health for thousands... is lost. Sometimes, for centuries!

You can help stop this criminal waste of God-given resources. In the woods, be careful of matches and campfires. As for water:

1. Encourage future planning of water facilities.
2. Support realistic water rates and water supply bond issues.
3. Conserve water wherever you can.

"Plentiful as water" no longer applies to America.



STILL GOING STRONG!

This 8" cast iron water main laid in Williamsport, Pennsylvania in 1855. Carrying water from the city's reservoir to its distribution system, it has been in continuous use for 102 years and is still in excellent condition.

Performance like this is another of the many reasons forward-looking water officials specify cast iron pipe. It's America's Number One Tax Saver... and the record proves it!

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management's WASHINGTON LETTER

► CONGRESSIONAL NEWS for coming weeks will center around these topics:

Appropriations--Spotlight moves to Senate where economy-in-government drive is expected to continue.

Traditionally Senate restores cuts. This year that's doubtful.

Wage regulation--Indications now are that action on broadening minimum wage may be put off until 1958. House committee is planning summer, fall hearings.

Schools--Debate in both houses will determine proposal's fate. Passage in doubt.

Foreign spending--Congressmen are looking for ways to chop this.

Defense--House hopes to shave something from \$38 billion proposal.

► WHAT'S REALLY BACK of congressional zeal to reduce government spending?

Answer: Letters from home.

Congressmen pay attention to mail.

And there's plenty of it--against high spending, high taxes.

What's hitting U. S. taxpayers is this:

Administration's spending proposals for 1958 average \$2,633 per second.

To finance biggest peacetime budget in history, taxpayers will be paying Uncle Sam \$2,717 per second.

This is only federal government's share of taxes collected.

States, local governments will also be collecting larger sums.

► ONE BIG PROBLEM IN CUTTING federal spending is fact that some programs are outside budget control.

Administration expects federal expenditures to reach about \$83 billion for fiscal year ahead.

But more than \$11 billion of that is trust fund expenditure--outside Budget Bureau's control.

Another big problem: Programs already under way.

* * *

Example No. 1:

By July 1 U. S. taxpayers will have made about \$64 billion available to foreign nations since aid program started.

Big debate in Congress is shaping up on amount of foreign aid spending--and in what form.

For fiscal year ahead, Administration has asked for \$4.4 billion.

You can find details on page 40.

* * *

Example No. 2:

By next fiscal year's end, Uncle Sam (since 1947) will have doled out almost \$35 billion to states, communities.

For fiscal year ahead Administration wants more than \$5.5 billion.

Involved: 66 programs.

See page 29.

► YOUR SALESMEN CAN BOOST America's personal consumption expenditures to \$1 billion a day--7 days a week--by 1965.

That's prediction of Under Secretary of Commerce Walter Williams.

Fantastic? Not at all, he says.

It's up to marketing, distribution.

Personal consumption now is about \$750 million per day.

We've not begun to saturate the market, Mr. Williams says.

For example:

During past year's brisk prosperity, he says, 99 per cent of our households did not buy either color TV or new dishwasher.

95 per cent didn't buy food waste disposer, new freezer, clothes dryer.

90 per cent didn't buy new refrigerator or home radio.

85 per cent didn't buy new car, black and white TV.

Also: More than half our population didn't take a vacation.

► JETS GULP MORE TAXPAYER dollars.

Costs for Department of Defense in coming fiscal year will go up about \$2 billion.

About \$200 million--says Pentagon official--is because of increases in fuel consumption.

Example:

B-47 takes about 300 gallons to start engines, move to runway end for take-off.

World War II bombers, he points out, could operate up to 2 hours for that.

Note: Fuel consumption will go up despite over-all decrease in number of active aircraft.

Although Army will have about 800 more aircraft at end of fiscal '58, Air Force will reduce force by more than 2,000

planes. Navy plans to add only 5 planes.

►HERE'S HOW WE'RE GROWING:

Every hour of the day ends with 330 more Americans.

Figure's up from 300 per hour.

Census Bureau says cause is pickup in birth rate. Growth is net figuring deaths, immigration, emigration.

Forecast: On June 1 U. S. population will reach 171 million.

►INDUSTRY'S CONFIDENCE in economy's future is borne out by spending for laboratory equipment.

Latest data available--from Scientific Apparatus Makers Association--shows:

Sale of research instruments, supplies, running 9 per cent ahead of last year--when sales were 21 per cent ahead of 1955.

Total spending for research in U. S. now approximates \$6.3 billion a year.

Expected spending by 1975: About \$20 billion. Aviation industry is biggest research spender.

Apparatus makers point out that investment in lab equipment takes time in showing return.

Here's one reason: It takes about a year to make a new industrial lab function smoothly.

►GET READY for a tidal wave of women workers.

Two-year study of women's present, past, probable future working role shows:

Women will account for at least half of the expected increase of 10 million persons in labor force between 1955 and 1965.

Study was made by National Manpower Council. It urges expanded, improved vocational guidance for women, study of ways to speed entry of more older women into manpower-scarce occupations.

Point is this:

Industry will need to make fuller use of women to offset shortages in future.

►FREEDOM-IN-BUSINESS adherents fear passage by Congress of premerger notification law.

This would require companies planning merger to give U. S. 60-day advance no-

tice of their plans. Mergers involving companies worth more than \$10 million would be affected.

Showdown on this issue will come soon.

Opponents of prenotice say such legislation would dangerously impair business operations.

Proponents say prenotice is needed to give government chance to determine if mergers will lessen competition.

►WHAT WORRIES COMPANY presidents these days?

Young Presidents' Organization surveyed its 1,100 member companies and found:

Biggest headache is finding ways to accumulate capital.

Other big worries:

How to provide adequate sales and advertising coverage for firm's products.

Getting, keeping good personnel.

Keeping up with production developments.

Meeting price competition.

Far down list: Problems of dealing with larger business.

►SIGN OF SPRING THAW in Washington:

Soviet Embassy's commercial counselor is sending complimentary calendars to Americans on his mailing list.

Calendars, handsomely illustrated, feature photographs of Russian heavy industry.

They also contain full-color paintings of Russian countryside--all but one are pre-1900 vintage.

Photographs reveal little, except that late model Russian automobiles resemble U. S. cars of 4 or 5 years ago.

►BETTER MARRIAGE STATISTICS are on the way.

Surgeon General Leroy Burney says improved system of collecting data from 29 states, 4 territories will be adopted.

Thus, it will be easier to obtain information on family formations for such things as community, business planning.

Birth, death registrations already are being collected nationwide. Marriage figures aren't.

►YOU CAN EXPECT INCREASED emphasis by industry on providing workers with in-

plant vocational, technical training.

Why? Fast-moving technological developments.

Many executives feel nation's vocational, trade schools are having trouble keeping up with newest methods.

Companies are finding it cheaper, more effective to train their own people.

Note: Midwestern machinery manufacturing firm formerly paid for outside training of employees.

Now firm has switched to in-plant training.

►HERE'S HOW TOP AFL-CIO leaders view impact of McClellan Committee revelations of union corruption:

Short run:

Union organizing, legislative, bargaining, political efforts will suffer.

Long run:

Unions will benefit, gain respectability, despite expected legislation affecting union treasury and welfare funds.

►WASHINGTON TRENDS: Senate's union racketeering investigation sets back AFL-CIO drive to unionize 13 million more persons.

They're white-collar workers.

Drive to sign them up already had run into problems, union leaders confide.

Agriculture Department expects farmers to plant smallest acreage since World War I.

Soil bank's one reason.

Farm specialists say one result will be higher average dollar yield per acre.

Poor acres go into soil bank, productive land into crops.

Average sales already have climbed from \$67 per acre to \$90 in 6 years.

Average farm, too, is worth more:

\$22,500 now, \$14,400 in 1950.

Office of Business Economics says foreign countries have added \$1 billion to their gold and dollar reserves.

Other countries paid U. S. \$24.5 billion during past year, received \$25.5 billion from U. S.

Federal Reserve Board probably won't recommend stand-by consumer credit controls--at least not soon.

That's informed guess.

Reserve Board's staff has just completed 14-month study of subject--published in 6 volumes.

Study brings together massive amount of credit data, summarizes arguments for and against controls.

Board members are studying the staff report, will reach own conclusions.

Note: How credit can serve you in the years ahead explained on page 32.

►BUSINESS OF BUYING businesses is dropping off.

Reason: Tight money, increasing competition for soundest buys.

One of country's leading business-buying firms says:

"For the first time in 6 years we have acquired no new subsidiaries in a year."

However, company has investigated more than 100 possible acquisitions in the past year.

Company says:

Rising competition for soundest firms is pushing purchase prices to unattractive levels.

►LOOK FOR: 118 million air passengers a year by 1970. Civil Aeronautics Administration estimate compares with 42 million last year....

U. S. toy industry to pass \$1.5 billion (retail) in 1957. Figure compares to \$1.3 billion of 1956. Toy manufacturers' spokesman says higher labor, shipping costs, general overhead will squeeze profits....

New hypersonic intercontinental and intermediate range guided missiles to be announced during summer....

More talk in months ahead about fluoridated drinking water. Public Health Service says latest tabulation shows treated water's now being served to a fourth of people using public water supplies....

Teamsters to defy George Meany's demand to clean house. Expulsion from AFL-CIO will fan interunion rivalry, bring some managements more headaches.

Business and industry to spend more than \$37 billion for growth this year. Figure in 1956 was \$35 billion, \$28.7 billion in 1955. Total for new plant, equipment since 1947 has passed \$250 billion.

Letters from businessmen



you make
just as fine
an impression

1000 miles
away



...when your
business letter's on

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Mal de tax

I have sufficiently recovered from an attack of nausea following a reading of "Here's Outlook For Taxes" printed in the February number of my favorite business magazine, NATION'S BUSINESS. Your excellent journalist did his best with the responses made by Representative Wilbur D. Mills, House Ways and Means Committee member.

You might better have saved your readers' time and that of your journalist by quoting Rep. Mills' remarks before the Tax Executives Institute. May I paraphrase thusly: It is very difficult to get lower taxes through cuts in government spending. The best hope for general tax reduction lies in higher levies on many types of income that now get special tax breaks. Included in this group are capital gains, oil and mine interests and municipal bond interest.

It is most discouraging to learn that a member of Congress has given up hunting ways to stop spending, but searches only for ways to increase the tax burden.

J. D. MILLIKEN, JR.,
Mutual of Omaha,
Omaha, Neb.

Biggest weakness

I read your article on "Selling Tomorrow's Market," [February issue] and thought it was very good from the standpoint of provoking new sales marketing thinking. However, while marketing is important, it must not be overemphasized to the point where it is given more importance than selling the goods.

The biggest weakness in sales today, I think, is our inability to manage salesmen because of their far-flung locations and operations. We are, I would say, more inefficient in this field than we are in any field included in the sales group, such as advertising, marketing, sales training and so forth.

I also feel that the sales managers and so-called commodity sales managers must be brought into production planning as they eventually must sell the product and should know something about the way it is being developed and get their experience as to the feel of the market and the customers. This would, of course, vary in types of businesses.

I am naturally thinking of it in the light of a multi-product business such as we have in the Footwear and General Products Division where we have 22 products, many with no relation to the others.

It is my feeling, with 36 years of experience, that business today and many business writers and educators are spending a considerable amount of time on that part of business which is tangible and not enough on the intangible aspects which, of course, are much harder to write about, program and do.

E. A. LUXENBERGER,
Vice President and General Manager
Footwear and General Products
Division
United States Rubber Company
New York, N. Y.

Action at Boonville

I have been following your articles in NATION'S BUSINESS with interest and the one in the February issue ["Free Ballots Depend On Free Markets"] was of particular interest to me. Locally we ran into difficulties with the money market after deciding to build a much needed high school.

In January of last year we organized a holding corporation to finance, build and lease for 30 years to the school corporation a new high school building costing \$1,150,000. After plans were prepared and the bonds were advertised for sale, we discovered the bond market for municipals had virtually collapsed. By law in this state we were only able to offer these bonds at a maximum rate of four per cent interest. No investment house bid our bonds in, and we were left hanging in the air.

We made application to the State of Indiana for common school funds and although our application was approved, we got in the middle of a political fight between an outgoing governor and an incoming governor and could receive no assurance that we could obtain any state funds.

Federal aid was entirely too far away since it was necessary, due to our local conditions and extreme overcrowding of our schools, to be in the new high school by September 1958. In addition, it was the general feeling that federal aid was not for us, since it was not only a time consuming operation, but we felt it

How to ship swiftly—and save!



When shipping slowed down and his costs rose too high
The Chief hit the warpath with rage in his eye



Now he puffs on a peacepipe and ships without fuss—
He calls **RAILWAY EXPRESS** for economy-plus!

The big difference is

Check your shipping ledger. If you're paying extra for pickups, deliveries, or insurance ...you're carrying too many "red ink" entries!

When you ship by Railway Express, you pay one fixed charge from pickup to delivery, within vehicle area limits. That's all. No hidden costs or extra charges. What's more, you get coverage no other company can match—Railway Express reaches some 23,000 American communities.

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safe
swift
sure



New Development Reduces Lost Time in "Coffee Breaks"!



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NESTLÉ'S Finest Instant Drinks Now in Individual Servings for Vending on the Job!

- ① **NESCAFÉ INSTANT COFFEE**
Exclusive 3-in-1 pack contains famous Nescafé Instant Coffee, Nescreme (an instant dairy product for use in coffee) and sugar.
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- ③ **NESTLÉ'S HIGH PROTEIN BOUILLON DRINKS.** Delicious! High in protein, low in calories — for a quick pick-up! BEEF or CHICKEN. Two crisp crackers included.

Perfect for large and small organizations!



Ready to drink — instantly! Just add hot water! Now you can make Nestlé's hot drinks available *on-the-job* and cut down the lost time in coffee time. No more employee time wasted collecting and telephoning coffee orders...no more reason for those mysterious 15 to 20 minute employee disappearances.

Delicious hot coffee, cocoa, and bouillon are always available—made on the spot to individual taste. Can be as handy as the water cooler in your office or plant! For full details on how to get new Nestlé's vend-packs, and information about the new vend-pack dispensing machine, use the handy coupon. Mail it today!

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Please send, without obligation, more information on
Nestlé's vend-packs and the dispensing machines.

NAME.....TITLE.....
COMPANY.....
ADDRESS.....
CITY.....STATE.....

would be much more expensive in the long run.

The board of directors of the corporation then determined to sell the bonds locally. Our township has an assessed valuation of approximately \$10 million, a population of 14,800 and around \$500,000 of school indebtedness.

We determined to offer the issue to local people and local banks, at an average net interest of four per cent. We eventually had 117 pledges. Approximately \$300,000 was subscribed by banks and the balance by local individuals.

We then had a meeting of the subscribers to the issue, drew numbers out of a hat and assigned them to individual bond purchases. These people then, in order of their number drawn, were permitted to select the maturities which they desired.

So far as I know, no complaints were received as to the maturities of the individual buyers and we have since delivered the bonds and obtained the \$1,150,000 and have started the construction of the school which we propose to have completed by September, 1958, for the use of our high school students.

There was no big money involved, although some of the individual purchasers did take rather large amounts.

It has, we believe, presented a pretty cogent argument against federal aid to education. Most communities could do exactly as we did, although we never heard of anyone else doing it nor do we know if it had ever been tried successfully in the past. Troy Township, of Perry County, Indiana, has since followed our lead.

We found that we could also have built a grade school . . . since we could have obtained subscriptions for an additional \$500,000 worth of bonds.

KENNETH W. WEYERBACHER,
Boonville, Ind.

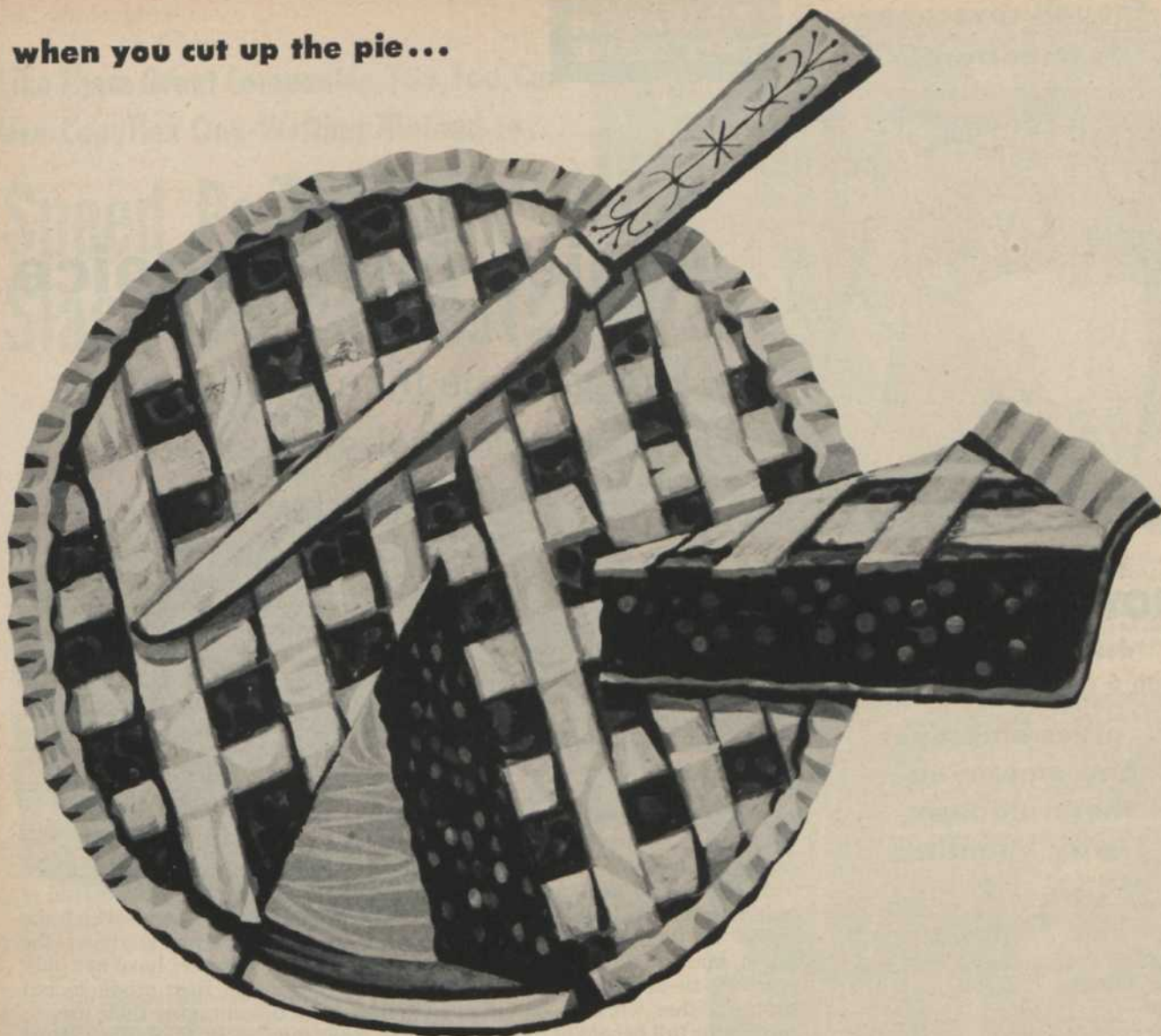
Hard hitting

The March issue of NATION'S BUSINESS hit my desk yesterday afternoon. As is the usual custom, it immediately received a hasty page-by-page run through. Several articles—also "as usual"—were of great interest to me. The hard hitting, sense-making comments on page 112-113, under the heading, "Executive Trends," were pertinent and timely.

Incidentally, I'll show your magazine and make two quotes from it in a speech I'm making at a local high school assembly.

JOHN B. WOOD,
Personnel Director,
Decatur Iron & Steel Company,
Decatur, Ala.

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Problem: \$8,500 has been allotted for annual bonuses to department heads in XYZ Department Store's Florida Branch. The store did 111% of quota. Determine bonuses on the basis of quotas achieved (100% or over) during the past fiscal year for each of 29 departments.

DEPARTMENT	% OF QUOTA
1. Appliances	107
2. Auto Accessories	129
3. Boys' Clothing	102
etc.	etc.

Method: Multiply overall store percentage of quota (111%) by number of departments above quota (29). Divide this total into bonus amount. Enter this ratio as a constant and multiply by each departmental percentage.

(Partial Tape)

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      2      1 1 1 *
      9      3 2 1 9*

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      9
      Dept. 2 - 34063
      3 4 0 6 3 3 6 5 9*
  
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**WATCH
THIS ISSUE**

Union power denies buyer choice

Damage done by unions bent on monopoly control shows need for plugging Taft-Hartley loopholes

MANY BUSINESSES, employees and even unions are getting hurt because of the aims and power of some unions. The situation, getting attention in Congress and in top AFL-CIO leadership, underscores some of the reasons why many businessmen, employees and others want Congress to plug secondary boycott loopholes in the Taft-Hartley labor law.

Usually, the victimized employer is in the middle; he is bound by Taft-Hartley to deal with a particular union. His employees are protected in their right to choose a union, and the union in the right to represent them. But the law does not protect either workers or union in getting the full benefit of these rights.

An aggravated situation currently involves the Sheet Metal Workers' International Association, an old-line former AFL craft union now part of the merged AFL-CIO. This union is trying to monopolize jobs in manufacturing as well as installation of sheet metal products. It requires building contractors to agree not to use any sheet metal products not made by its members.

This means that some fabricators of sheet metal items are being denied the opportunity to market their products to contractors having agreements with the Sheet Metal Workers, some customers are being denied the opportunity to buy these products, and employees are being denied the opportunity to make them.

The Sheet Metal Workers are imposing this secondary boycott on many sheet metal fabricators who deal with many different unions. One case that has received national attention and has forced the AFL-CIO leadership to try to correct it involves Burt Manufacturing Company of Akron.

This small company, employing 150 production workers, has been making industrial ventilators and louvers for 66 years. It has been the victim of a secondary boycott by the Sheet Metal Workers almost since the day it signed a labor agreement with the United Steelworkers of America 10 years ago, pursuant to a legal certification by the National Labor Relations Board.

Because Burt would not recognize the Sheet Metal Workers instead of the United Steelworkers—which the law would not permit anyhow—the Sheet Metal Workers have not only refused to install Burt products, but have been discouraging their use.

According to F. C. Sawyer, Burt executive vice president, this is what the union does:

The union business agent may approach a potential purchaser or a user of Burt ventilators—a plant owner, architect, engineering firm, contractor, or subcontractor—and inform him that, if Burt ventilators are specified or purchased for installation in any building, members of the Sheet Metal Workers will not install them. This may be done before a contract is awarded, or before work begins.

Sometimes the union does not know Burt ventilators are going to be installed until they reach the site. The union won't let union members put them in.

The Sheet Metal Workers union considers any sheet metal product not made by its members to be non-union.

The AFL-CIO merger has not alleviated the situation; instead, it has become more aggravated, with the Sheet Metal Workers stopping and interfering with more jobs, coercing more contractors, and in

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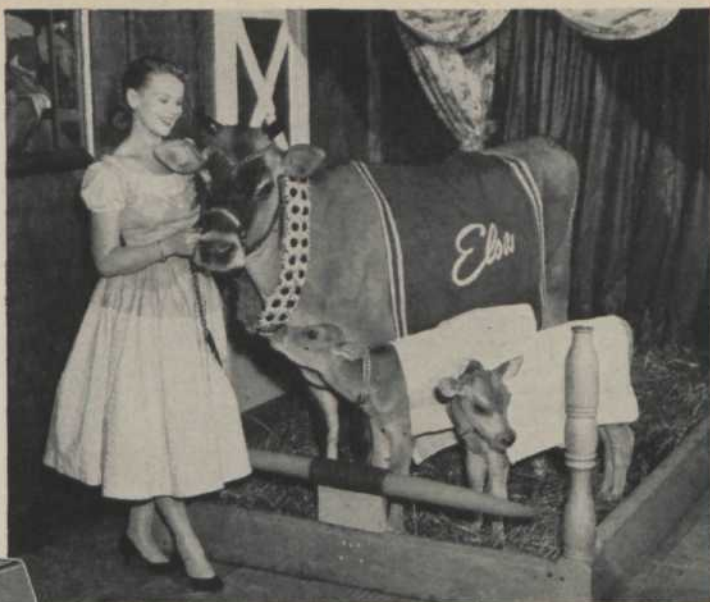
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the past year causing Burt the greatest loss in its history.

Some examples:

Construction of the Ford Motor Company engine plant at Lima, Ohio, was delayed when the Sheet Metal Workers would not let members unload \$100,000 worth of Burt ventilators from railroad cars.

Ventilators were installed on another Ohio job only after the subcontractor paid double time.

In the construction of an \$85 million Chrysler Corporation plant near Akron, the Sheet Metal Workers went further. They refused to do any sheet metal work on the project until an order for \$17,000 worth of Burt ventilators was cancelled. In desperate need to get the plant built, Chrysler cancelled.

In other situations, Burt customers were able to get installation of ventilators only after long delays, frustration and intervention by top union officials and sometimes the Secretary of Labor or a congressman. The fact that the Sheet Metal Workers monopolize installation jobs in many parts of the country makes the boycott more effective.

Obviously, too, Burt is losing orders from potential users of their ventilators who want to avoid trouble.

The situation has obviously hurt the work prospects of members of the United Steel Workers, who complained to the AFL-CIO Executive Committee last January. A three-man committee headed by President Meany investigated it.

But whether or not the issue is resolved internally by the AFL-CIO, unions still would hold the legal power to continue or impose new boycotts at their will and to the detriment of innocent neutrals.

The Burt situation is not reached by the Taft-Hartley law because of four loopholes in the secondary boycott provision. These would be corrected by a bill pushed by Sen. Carl T. Curtis of Nebraska. They are:

► Taft-Hartley does not prevent a union from using pressure to stop a secondary employer from doing business with another firm; only pressure on the secondary employer's workers is forbidden.

► It does not forbid inducing a single or key man, such as a foreman, to refuse to handle a particular product; the law attacks only "concerted" union activity.

► It does not outlaw the type of contract in which a contractor agrees not to use products not made by a particular union.

► The refusal to handle certain products must occur "in the course of employment." The law does not reach a situation where the union simply refuses to provide men. **END**



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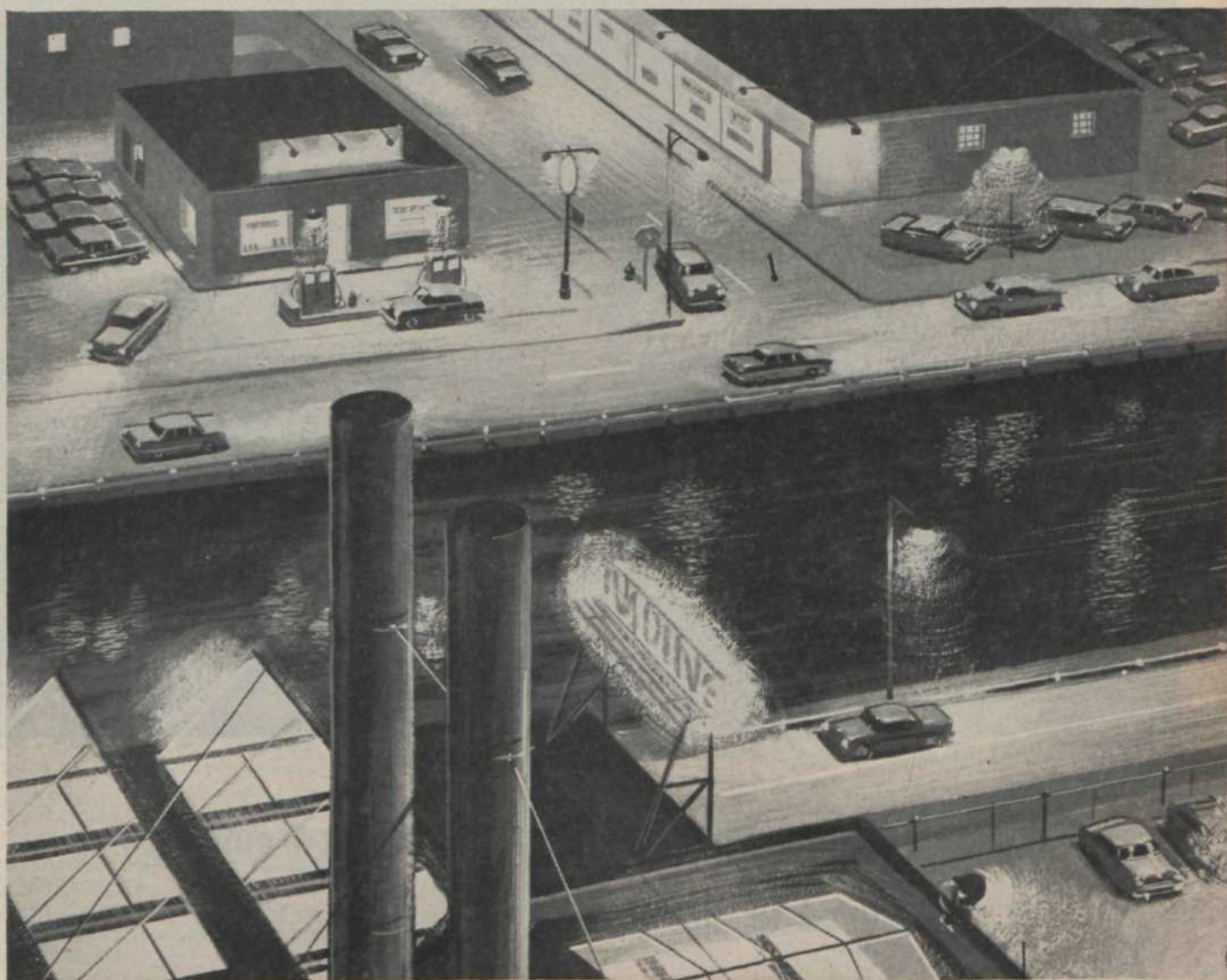
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FRED J. MARCOON

THE STATE OF THE NATION

BY FELIX MORLEY

Revolt against spending proves the strength of American fundamentals

AN ABIDING sense of personal responsibility is the essence of the American way. Those who cherish this feeling of individual obligation, at home, in business and in politics, are the traditional good citizens. Those who readily transfer duties to others, perhaps especially those who think that some Washington agency should feed their children and pension their parents, are of a different breed. They do not believe that people should govern themselves. They believe in impersonal government, by paid officials.

That is the socialistic creed, growing ever stronger as the conditions of modern life become more complicated. It is based on the simple, though cynical, assumption that most people cannot govern themselves intelligently and therefore none should be allowed to do so. The general public, in the memorable opinion of Harry Hopkins, is simply "too damned dumb." So it becomes the humanitarian duty of Big Government to provide little men with social security—from cradle to grave. In return for this constant service the individual must

quite logically agree to surrender his freedom and follow the directives of an official elite.

Marxism teaches that this development is historically inevitable. And we must reluctantly admit that it has made perceptible headway among many Americans who would be highly resentful if listed as fellow-travelers of the Reds. Against this insidious form of ideological infiltration, military defense is unfortunately of no avail. Indeed, so far as self-reliance is sapped by the enormous cost in taxes, defense expenditure may even actually assist the most subtle and dangerous enemy the United States has ever faced. There is little doubt that the Kremlin anticipates eventual victory not so much by assault from without as by our own deterioration from within.

In two months' time the budget for the fiscal year beginning July 1 will go into effect. And no single recent manifestation of public opinion has been more important to fundamental Americanism than the grass roots revolt that has flamed out against these spending estimates as originally introduced. This is the more interesting because the national budget is certainly not designed to arouse emotions, pro or con. It is infinitely complicated, painfully detailed and totally lacking in any dramatic attribute. Yet not even the electric dismissal of General MacArthur by President Truman elicited as much popular protest, or brought as large and continuing a flow of critical letters to Congress from every section, as has been the case with the \$71.8 billion expenditure program presented by

State of the nation

President Eisenhower in January. This storm over the budget has been no five-day phenomenon. Indeed it has grown more shrill with every Administration comment to the effect that the American people cannot accept ever increasing governmental services and not expect to pay for them.

Fuel was only added to the fire when Budget Director Brundage said that although "we went too far in the direction of federal supports and control" it's now "impossible to turn the clock back."

As one Republican representative dryly observed to me: "I don't know about the Budget Bureau clocks. I do know my constituents can turn me back!"

At the headquarters of both parties the political implications of this continuing protest movement are receiving close consideration. When the Democrats voted solidly for a resolution requesting the President to specify desirable budget cuts it was at first characterized as a narrowly partisan action. But many are now coming to the conclusion that governmental economy is a real rather than a phony issue, and that if the White House does not see this, the Democrats will.

It would indeed be a reversal of form if the party of Mr. Roosevelt and Mr. Truman should build an economy platform for 1958. But no more of a shift is involved than in the "modern" Republican demand for federal aid to education and other forms of welfarism. If Republicans get newfangled, Democrats can just as readily again become old-fashioned, especially if recent revelations serve to diminish the political power of arrogant labor bosses. It is a possibility dear to the heart of that staunch Democratic conservative, Sen. Harry Byrd of Virginia. He calls the present budget "monstrous" and "padded all down the line."

When politics are in flux, as they so clearly are at present, startling shifts and new combinations are not unusual. The new constitutional provision, preventing President Eisenhower from any further candidacy, is itself conducive to the formation of new patterns. Political realignment does not come easily. But one need not go far from home to hear it ardently discussed. A fusion of States Rights Democrats and Stable Money Republicans is a frequent talking point. There have been much stranger bedfellows in the annals of American political history.

Even without surmise of this character, the widespread revolt against the swollen budget has fundamental significance. It shows that the old American sense of personal responsibility is far from dead, or even slumberous. If there were an irresistible tide toward socialism we would simply accept the

argument that the bureaucrats know best and that, for a score of reasons, substantial economies are impossible. A survey of congressional mail shows that this is not at all the general reaction.

To their responsible representatives average voters are saying, in effect: We don't know just where the budget should be cut. It is only hearsay that foreign aid is wasteful; that defense is extravagant; that social services are too pretentious; that every agency without exception is overstaffed. What we do know is that the over-all total is staggering; that the taxes necessary to raise it are intolerable; that booming prosperity is not likely to last forever; that the time to retrench on spending is now. That is unquestionably the prevailing public mood, and under our system of representative government that mood, when resolute, achieves results.

In a totalitarian country public opinion would not achieve results and could not even be expressed. So it is dual evidence of the vitality of our constitutional system: first, that the outcry against loose fiscal policy is so vigorous; second, that it has been able to make progress without a strong executive lead. Here is an affirmation of our traditional civic virtue, coupled with a repudiation of the socialistic principle that the planners direct and the people conform. There is a world of difference between the countries where the government applies controls to the people, and those where the people apply controls to the government. It is the difference between serfdom and freedom.

Moreover, under the spur of public indignation, it has been shown, chapter and verse, just where the budget can be cut with benefit rather than injury to the general welfare. Its extravagance is now established fact. The total requested is revealed as a measure not of growing national need but of increasing bureaucratic arrogance.

Still another lesson of permanent value is implicit in the popular revolt against unrestricted governmental spending. A warm response has been accorded to those who have warned that this extravagance hides real inflationary dangers behind a smiling mask of specious humanitarianism. This has emphasized what Americans of late years have tended to forget—that, under our system, leadership has never been the monopoly of those in public office, but is also expected and desired from plain citizens who have made their own way, and established their own prestige, in various forms of competitive enterprise.

In a federal republic, the true measure of strength is the vitality at the grass roots, rather than the degree to which power is concentrated at the political center. So it is a sign of health when economy is forced on Washington by spokesmen for the localities. That is distinctly not the case when extravagance is promoted in the localities by spokesmen for Washington.



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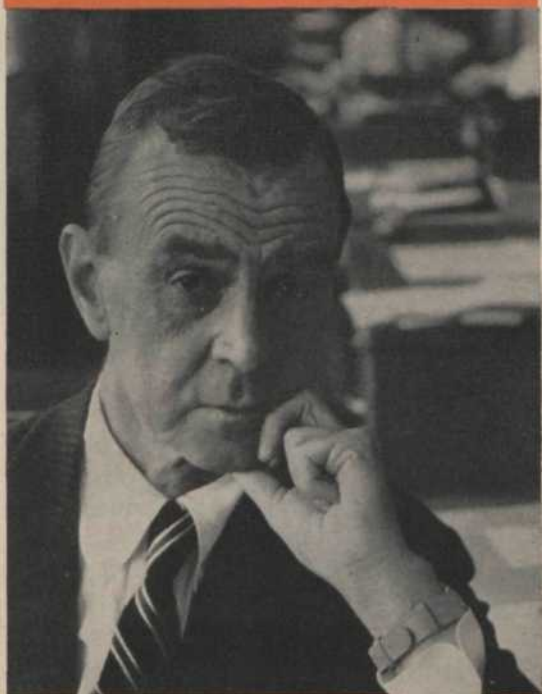


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WASHINGTON MOOD

BY EDWARD T. FOLLIARD

A seldom mentioned development puzzles the McClellan Committee

THE LABOR TYCOON is comparatively new on the American scene. Horatio Alger never dreamed of him when writing "Luck and Pluck," and "Tattered Tom"; his juvenile hero usually rocketed to success as a banker or merchant prince. In Alger's time, nothing had happened to suggest that there would ever be a story like Dave Beck's: from truck driver to head of the Teamsters Union, and a millionaire at that.

Now the turn of history's wheel has made Washington and the whole country more aware of this phenomenon in our society. Now it is Mr. Beck and other representatives of labor who are under the inquisitorial spotlight that the United States Sen-

ate once turned on Wall Street. Some of the senators, even those taking part in the investigation, are astonished by the revelations, and especially by the large sums of money involved. For that matter, of course, so would the late Samuel Gompers be astonished. That idealistic old gentleman started out as the first president of the American Federation of Labor in 1886 on a salary of \$1,000 a year (when there was cash to pay him).

However, the most surprising aspect of the McClellan Committee's investigation has not been Dave Beck's bankroll or his alleged use of hundreds of thousands of dollars of union funds. Neither has it been the case of James R. Hoffa, No. 2 Teamster, charged with trying to plant a spy inside the committee, nor the alleged tie-up of Frank W. Brewster, No. 3 Teamster, with the Portland, Ore., underworld.

What has struck the senators most forcibly is something hardly ever stressed in the headlines. That is the attitude of the Teamster leaders toward the rank-and-file members of their union, an attitude which seems to the senators to be so haughty as to border on arrogance.

Looking on at the hearings on Capitol Hill, a block or so from the Teamsters' \$4 million marble headquarters building, you could see that the senators were at times baffled by this attitude. The lawmakers knew that their own constituents would quickly punish them at the polls if they ever became touched by scandal. What then of the Teamster bosses? Were they worried about their constituents, the truck drivers and the others among 1.4 million dues payers in this union.

The answer came from Frank Brewster, head man of the Teamsters in the West, and it was an emphatic "No."

Sen. Karl Mundt, a Republican of South Dakota, was questioning Mr. Brewster after it had been brought out that Mr. Brewster had tapped the union treasury to pay his tailor, to pay the travel and living expenses of his horse trainer and his jockey, and to pay for other things unrelated to union affairs.

Senator Mundt asked Mr. Brewster if there were any restrictions on how he could spend the money of union members. He thought the answer was evasive. Perhaps, Senator Mundt said, Mr. Brewster couldn't give an answer that would satisfy the dues-paying truck driver.

"Well," said Mr. Brewster, confidently, "I am willing to take my chances on that fella . . . I don't fear him."

It was brought out that Mr. Brewster and other Teamster officials awarded themselves valuable gift certificates at Christmas time, paying for them out of union funds. Senator Mundt again showed his concern for the union members and asked:

"Did they ever give any gifts to the poor old

Washington mood

teamster out there on the truck who is paying dues for this carnival of gifts?"

"I am glad you brought that up," said Mr. Brewster. "Every time he gets a paycheck it is on there."

"What is on there?" asked Senator Mundt. "A gift?"

"That wage that we get—that increase in the things that we are getting for him from time to time, his health and welfare," said Mr. Brewster. "There is the \$25 million that was paid out in health and welfare that he never would have got unless we saw that he got it."

• • •

The senators thought that they understood Mr. Brewster's attitude now. It was clear that he was supremely confident that there would be no rebellion among the rank-and-file so long as he and the other Teamster leaders got them pay raises and other benefits, no matter what scandals a group of senators away off there in Washington might uncover.

Unlike Mr. Beck, who appeared later and took the Fifth Amendment, Mr. Brewster talked freely about himself. It was plain that he thought of his career as a success story, not as spectacular as Mr. Beck's, perhaps, but certainly one of which to be proud. He started out as a teamster at the age of 16, driving a horse-drawn wagon or dray. Once the motor age got under way, he became driver of a furniture truck. In the early 1920's, he was made business agent of his Seattle local, and so began his climb to the Teamsters' top echelon.

Mr. Brewster told the committee that he had an income of about \$40,000 a year and expenses. He told about his stable of race horses, the private boxes he had at a half dozen or so tracks, and about his membership in a swanky California country club.

Mr. Brewster seemed eager to have the senators know about his cordial relationship with businessmen, the owners of trucking companies and other employers. In this connection, he said in a prepared statement:

"I have taken employers and employers' representatives to dinner and otherwise entertained them, including furnishing them with box seats at clubhouses in various race tracks. All of these expenses I have charged off against union funds, as I was advised by counsel that these were legitimate business deductions.

"I have tried to make it a practice to entertain employers rather than be the recipients of their entertainment. I sincerely believed in that way our management relationship would be better, and there would not be any feeling afterward that I

owed them any special favors at the bargaining table."

An exchange between Mr. Brewster and Committee Counsel Robert F. Kennedy was revealing.

"Mr. Brewster," said Mr. Kennedy, "without getting into things that are too personal, I was wondering if you have your suits tailormade?"

"What do they look like?" Mr. Brewster shot back.

To the highly amused audience, it seemed that Mr. Brewster resented any suggestion that he might be wearing a store-bought suit, something taken from the rack.

Once Dave Beck took the witness chair, Mr. Brewster was overshadowed. Mr. Beck refused to answer questions about his finances, but that didn't mean he didn't talk. At times his words were torrential. He gave the impression of a man of great energy and drive, one who probably would have become a leader in any field.

Once Mr. Beck interrupted Sen. Irving Ives, New York Republican, to say:

"Just a minute, senator, you are a practical man and so am I."

That was the voice of Dave Beck the labor lord, the voice of a man who started out driving a laundry truck in Seattle 43 years ago, and who now is reputed to pay taxes on an income that dwarfs his \$50,000 a year salary.

Like Mr. Brewster before him, Mr. Beck appeared to have no worry about the rank-and-file of Teamsters. He seemed to take it for granted that they would stand by him no matter what the Internal Revenue Bureau and the McClellan Committee might uncover. He made this clear when, just after taking the Fifth Amendment, he announced that the Teamsters Union would spend \$1 million to tell "our side of the story."

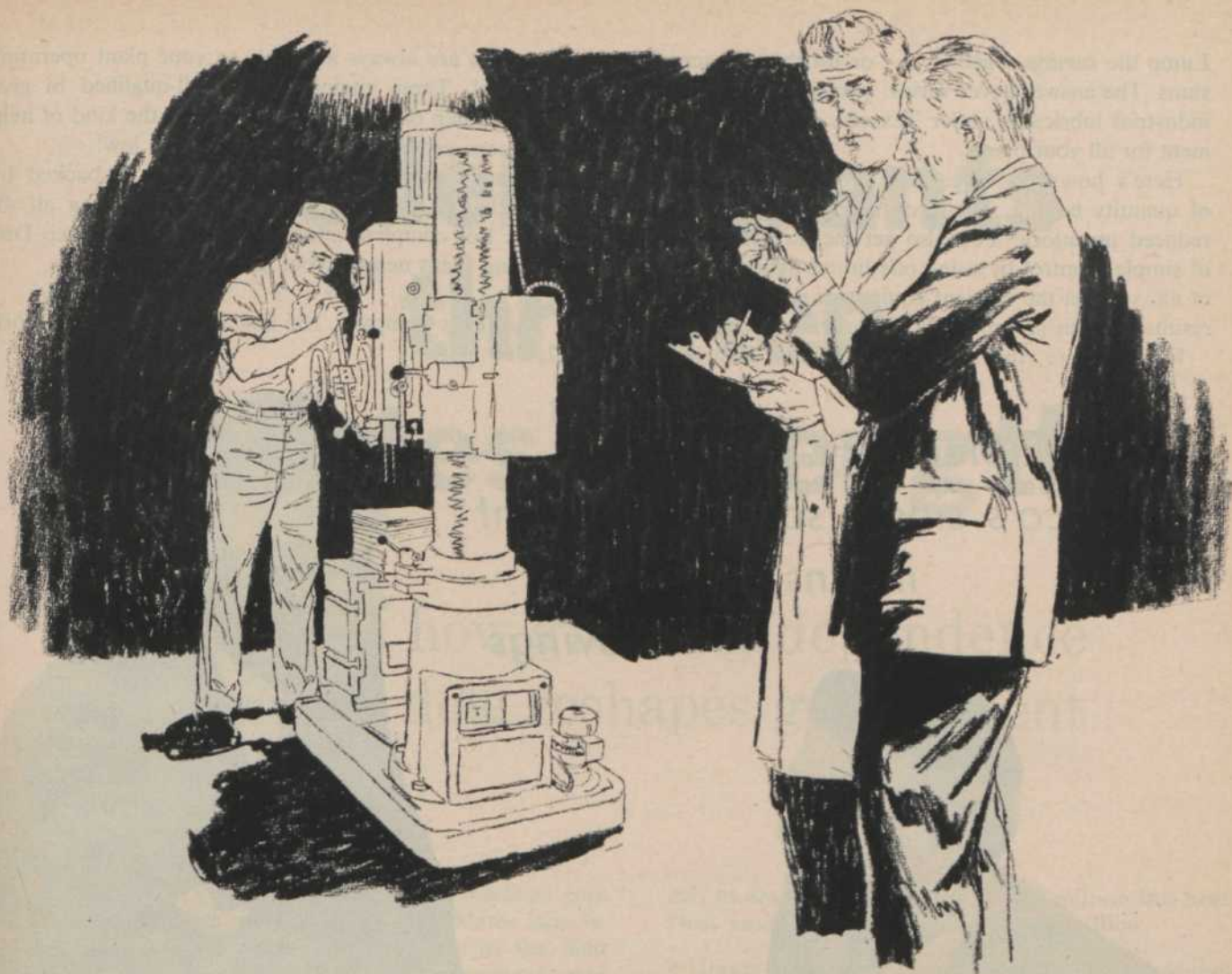
Mr. Beck suffered a setback here, however, when the Teamsters executive board refused to go along with him on the \$1 million expenditure. There also was another setback. Leaders of the American Federation of Labor and Congress of Industrial Organizations suspended him as an AFL-CIO vice president for "actions in bringing the labor movement into disrepute." The leaders are expected to decide this month whether or not to expel him.

• • •

No matter what the AFL-CIO does, however, Mr. Beck still will be president of the Teamsters Union.

The hearings of the McClellan Committee are just starting. They are expected to continue for at least a year and plenty of other names will get into the headlines. Some of them no doubt, will be the names of businessmen as well as union leaders.

The official designation of the McClellan group, it should be remembered, is the Senate Committee on Improper Activities in the Labor or Management Field.



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Federal grants threaten states' strength

Here is how growing dependence
on U.S. dole reshapes government

"IF PRESENT TRENDS in federal-state relations continue for another quarter century, the states may be left hollow shells, operating primarily as the field districts of federal departments and dependent upon the federal treasury for their support."

This is how Leonard D. White, professor of public administration at the University of Chicago, in 1952 described a fear which today is shared by an increasing number of business and political leaders.

Cause of the worry is the mounting billions of dollars which the federal government collects from the American taxpayers and then doles back to states and communities in the form of aid.

In the fiscal year just ahead, the President has proposed an aid program to state and local governments totaling more than \$5.5 billion.

This is \$1 billion more than will be spent in the current fiscal year, which ends in June, and compares to \$3.8 billion in 1956. In the decade just past—universally regarded as the most prosperous in U. S. history—those who manage the federal government have seen fit to boost the federal dole to states and local governments fourfold.

Total aid since 1947 will reach approximately \$35 billion by the end of the fiscal year which begins next July 1.

Here are some programs started just a year ago:

▶ A water pollution control program this year will cost the taxpayers about \$2 million. Next year it will cost \$3 million.

▶ A new federal program of aid to municipalities for the construction of waste treatment facilities will re-

sult in drafts on the Treasury of \$7 million this year. Next year the program will cost \$62 million.

▶ Grants-in-aid for the construction of health research facilities costing \$1.6 million this year will take \$8.4 million in fiscal 1958.

▶ A program of local library services costing \$2 million this year will require \$3 million or more next year.

▶ The National Science Foundation administers grants for certain research facilities which this year will cost \$500,000, but which next year will take \$2.8 million.

▶ A program for the drainage of anthracite coal mines will cost taxpayers \$1 million this year. The program will cost \$2.5 million next year.

The Department of Commerce has just announced the 1958 Federal Aid Airport Program. This involves construction and improvement of airports at 334 locations in all but two states and the federal territories. The program will obligate more than \$55 million in federal funds. However, expenditures in 1958 are expected to reach only \$47.5 million; the rest will come later. The expenditure figure compares to \$45 million during the current year, \$16.7 million in 1956.

Only Wisconsin and Wyoming were not included in the program, but the announcement said these states "are expected to submit programs in the near future."

In making the announcement, Secretary of Commerce Weeks said:

"This program, essential to preparation for the age of civil jet air transport operations, is for the fiscal year beginning July 1, 1957. It is the third of four

annual programs authorized by Congress and administered by the Civil Aeronautics Administration.

"The 1957 program was announced in June, 1956. Announcement of the 1958 program at this time will provide the local sponsors more time to make their plans and complete their preparatory work in advance of the fiscal year beginning July 1, 1957, when the federal money becomes available."

On Capitol Hill, one congressman from the Midwest observed that, while issuance of the program's details now would give communities more time for planning, it also appears well timed to prevent economy-minded congressmen in the House of Representatives from slashing funds for the project from the current appropriations.

Some grant-in-aid projects, though authorized by Congress, have no funds. For example, Congress approved a bill last year authorizing \$375,000 for teaching commercial fisheries occupations, such as meteorology, navigation, depth soundings, etc. The money would be granted primarily to fishing industry states. But no money was authorized.

In the budget proposals for next fiscal year, however, Congress was asked to appropriate \$228,000 to finance the project.

The appropriation has been eliminated in the House of Representatives, but it could be restored later in this session when the Senate takes up the measure or by supplemental appropriation.

The \$5.5 billion in federal aid to states and communities in the year ahead basically takes three forms:

- ▶ Grants-in-aid, at least 66 programs, which account for \$5.3 billion.
- ▶ Shared revenue, totaling \$102.3 million.
- ▶ Loans and repayable advances which total \$126.3 million.

Superimposing a federal program of grants onto a sustained period of national prosperity raises some logical questions as to whether such grants-in-aid are actually necessary, or whether they are designed merely to carry out political, social and economic philosophies that states might not adopt if left to their own devices.

A further and more serious question is the impact this federal intervention in state affairs may have on the division of power in the federal system which was designed to give us both strong states and a strong central government.

The proposed grants-in-aid, then, deserve study on two serious counts:

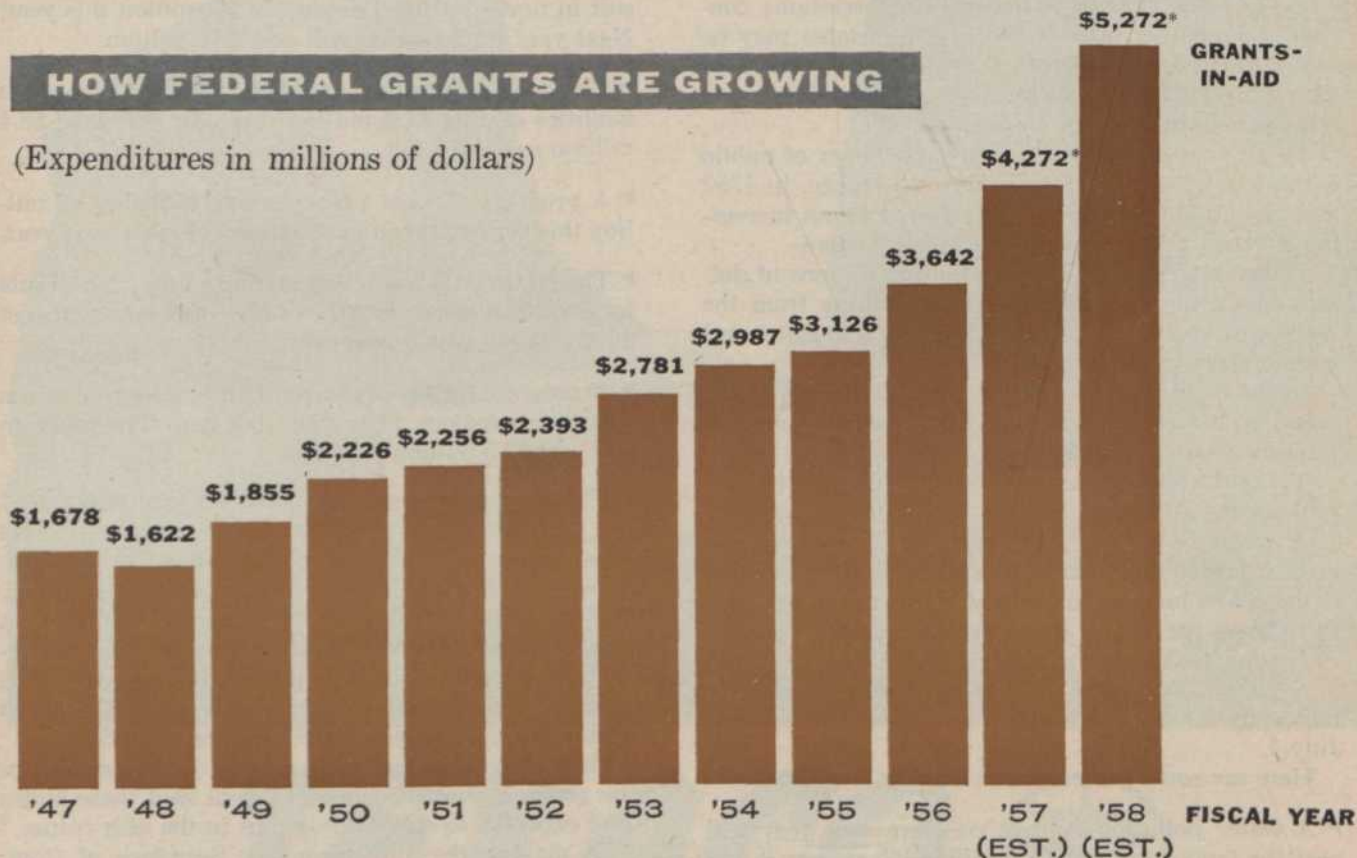
- ▶ How are they reshaping our government?
- ▶ Are the expenditures justified?

Here are the essential facts regarding the grant device:

First, it must be recognized that the grant-in-aid permits use of the fiscal strength of the national government and at the same time allows local adaptation and administration of solutions to local problems. It has been responsible for significant political and social advances. It is primarily in its application that the

HOW FEDERAL GRANTS ARE GROWING

(Expenditures in millions of dollars)



Source: Budgets of the U. S. Government

* Includes highway trust fund

\$217 MILLION IN NEW GRANTS PROPOSED FOR '58

Purpose

Estimated expenditures

Under proposed legislation

a	Construction of training facilities for medical and dental schools	\$ 1,080,000
b	Construction of mental health facilities in Alaska	325,000
c	General school construction	185,000,000
d	Planning education beyond high schools	2,500,000
e	Other health, education, and welfare programs (juvenile delinquency, teacher training, etc.)	3,250,000
f	Assistance to areas of substantial and persistent unemployment, Labor Department	622,000
g	Assistance for state industrial safety programs	2,180,000
h	Participating projects under the partnership concept conducted by the Corps of Engineers	5,000,000
i	Area assistance activities, Commerce Department	1,500,000
j	Civil defense assistance to the states	10,000,000
TOTAL		\$211,457,000

New appropriations for previously authorized programs

a	Training public welfare personnel	\$ 2,500,000
b	Cooperative research or demonstration projects in Social Security	1,000,000
c	Assistance to states for tree planting	2,500,000
TOTAL		\$ 6,000,000
GRAND TOTAL		\$217,457,000

In addition, there will be new legislation proposing to give the Department of Interior \$3.5 million for loans for small reclamation projects

danger lies. Three prominent members of the Kestnbaum Commission (created by Congress in 1953 to study the federal system), John E. Burton and Governors Alfred E. Driscoll, of New Jersey, and Dan Thornton, of Colorado, commented on the inherent danger in its use:

" . . . By this device the national government spends money and exercises controls for programs which might not be supported if the national government proposed to spend the money directly and exercise the control. In other words, the national government does things indirectly which the public might not support if it attempted to do them directly."

Second, the term grant-in-aid is somewhat of a misnomer. It suggests that the primary purpose is to

provide a federal gift of money to aid a state or local government in solving problems. Further, the public has conjectured that the federal money well runs deep and may be bottomless. Neither of these is true. The Kestnbaum Commission said:

"The national government has used the grant-in-aid primarily to achieve some national objective, not merely to help states and local governments finance their activities . . ."

Thus it is actually a political tool. As such it tampers dangerously with the basic division of power in the Constitution and takes advantage of the flexibility which was placed there to allow concurrent growth of both the national and state governments.

Third, the grant-in-aid (continued on page 94)

Credit boom can work for you

These 10 principles will help you take advantage of the trend to installment selling

CONSUMER INSTALLMENT credit will break all records in the next 10 years.

By 1965 it will probably climb to \$50 or \$55 billion outstanding. An increasingly large proportion of this will be extended for goods and services other than automobiles, according to a Federal Reserve report on the role of installment credit in the economy. The figure might even reach \$75 billion if the average annual rate of growth of 10 per cent for the period 1920-1956 is maintained.

At the end of 1956, installment credit outstanding was \$31.5 billion.

In the record installment credit year, 1955, the rate of growth was more than 20 per cent. Businessmen who were prepared for this boom had a great advantage over their competitors. Similar spurts are likely in the future. Periods of lagging growth are possible, too. Businessmen need to be equally prepared to cope with these.

This preparation poses some unique problems of management because it requires both merchandising and financial know-how. Ten basic principles of installment credit selling will help you take advantage of the trend. They are:

- ▶ Learn what installment credit selling is.
- ▶ Analyze your market for installment selling.
- ▶ Use credit imaginatively and flexibly.
- ▶ Be sure what credit costs you.
- ▶ Gear your promotion to the consumer's new credit attitudes.
- ▶ Train your personnel to handle credit.
- ▶ Don't price yourself out of the market.
- ▶ Utilize growing dealer-distributor cooperation on credit selling.
- ▶ Know and use your money market.
- ▶ Expect fluctuations in credit sales.

The projections of credit in 1965 in the Federal Reserve report are based upon a careful study of the past behavior of credit, the principal reasons for its growth and the probable developments in future markets most likely to influence consumer demand for installment credit. Here are the principal market trends expected to increase this demand:

- Goods and services which now generate only small amounts of installment credit may become important sources in the years ahead.
- Technological innovation could accelerate credit growth even more.
- Households where the head is from 24 to 44 years old use credit most. These households are increasing in number.
- In the next five to 10 years the teen-age population will increase sharply. This will tend to strain family budgets even though incomes are rising.
- Changing expenditure patterns will cause the older age group to use installment credit more freely.



Sound long range
policy can adapt
to fluctuations

- More married women in the labor force will stimulate the use of installment credit.
- Less inequality of income in the next 10 years will contribute to the upward climb of installment credit.
- Favorable lender experience, efficient machinery for tapping the money markets, and the strong position of installment credit debt in the money market will assure adequate funds for installment credit.
- Even in periods of general money market tightness the supply of money available to installment credit lenders seems to be less affected than other types of credit.

The possibility that stand-by controls might restrain installment credit must be considered. Any future regulation would most likely be patterned after Regulation W (see *NATION'S BUSINESS*, March, 1956) which was used in World War II and the Korean action. This controlled the volume of credit by setting minimum down payments and maturities for specified types of goods. A regulation of this type would not affect the applicability of our 10 principles. If anything, attention to them would probably put you in a better condition to cope with the impact of regulations.

The basic lesson

The most important fact about consumer installment credit selling is that—and this may look deceptively simple—it is profitable not only as a merchandising tool but as a money lending (banking) operation. The consumer pays his bills regularly and uses credit liberally. Losses are low and installment credit users tend to maintain sizable balances.

The small business firm can use installment credit selling as easily as the large. Both banking and nonbanking institutions are ready to buy paper outright or lend money on installment credit paper. Some of these as part of their service have worked out plans which provide such details as promotional techniques and price tickets containing credit information.

Determine your market

Market research will show whether you are exploiting your installment credit potential fully. You may be losing business because you have no installment credit plan or the one you have is ill adapted to your needs. Analyze your installment sales and terms to see if they conform to those typical in your type of market. One large department store, for example, discovered that too large a proportion of its credit sales were for single items of furniture. They were underselling the refurnishing and new home markets. Installment credit selling can be a potent tool for developing new and expanding present markets.

Much information on the nature of the market for installment credit is available—the use of installment credit by income group, type of goods, family composition, age of family head, and so on. Long-run influences such as population trends, family formation, and rates of economic development can help you evaluate your future markets. There are many research findings on the relationship between the demand for installment credit and market characteristics and trends. If you do not sell nationally you will need to relate this general information to your particular market.

Use credit imaginatively

Installment credit needs to be modified continually and adapted to changing markets. Analyze your credit sales records to see what goods you are actually selling on credit—quantity, quality, style, size and so on. You may find important gaps. The idea that installment credit selling is profitable only for durable (hard goods) or big-ticket items is changing. All types and qualities of goods and services are now sold on installment. The trend is toward much more of this.

New credit plans facilitate this spreading use. One which has been widely adopted is the revolving budget plan. The consumer makes a fixed monthly payment as long as he maintains

(continued on page 106)

Use
credit
with

imagination



New credit
plans . . .

new role
for
salesmen



HOW TO

build know-how fast

Young executives playing new game
get years of experience in a
few hours. Here's how it works

Separated by screens, teams plan their moves in new decision-making game



PHOTOS BY EAGLE, P.F.I.

MANAGEMENT'S most dramatic new device for professional improvement is a decision-making game which enables young executives, in a matter of hours, to gain experience ordinarily acquired in years.

This fresh approach to executive training problems follows the current trend of simulation—the use of make-believe situations to prepare managers to meet real-life problems. The decision game offers interesting possibilities for future training.

It exercises the player's judgment by confronting him with problems closely patterned after those actually encountered by management.

He must resolve such questions as: Should my company attempt to improve its products or try for greater market penetration with the products it already has? Should we invest heavily in added plant? Should we take the lead in pricing?



Girl charts progress of competing firms. Below, player recaps his team's strategy



Because he's working as a member of a team pitted against other teams, the executive trainee wrestling with such questions gets a real chance to test his intelligence and business sense under fire.

As members of teams representing companies, the players battle for sales leadership with their competitors. They struggle to hold the line on production costs; worry over prices; watch expenditures put into research and development yield them an improved product and a larger share of a mythical but hotly contested market.

The dollars they invest are imaginary, of course, but that doesn't detract from the dead-seriousness with which the trainees play the game.

By making mistakes of judgment under mock business conditions, the managerial aspirant is expected to develop a healthy respect for the hazards involved in decision-making in the top ranks of U. S. enterprise.

More important, he'll acquire knowledge and experience which will help him avoid errors later when the decisions are real and the responsibility cannot be shrugged off.

The use of decision games will not be limited to junior executives. It can become a popular tool for refresher training of experienced executives and first-line supervisors. And it will constitute a revolutionary addition to the curricula of the nation's schools of business administration.

Current business interest in simulation has centered around such devices as role-playing and systems simulation. In role-playing, executives develop appreciation for different viewpoints by acting out the roles of their associates, subordinates or superiors. Firms use systems simulation, with such tools as operations research for example, to determine in advance what their inventory and other requirements would be under any given set of business circumstances.

The potential of gaming as a means of teaching decision-making was indicated recently when the American Management Association, in a special New York preview, introduced its new "Top Management Decision-Making Game," as the first such exercise ever developed for business use.

Patterned to some degree after the war games played by command officers of the armed services at staff colleges, AMA's game had been a closely guarded secret since work on it began a year ago. The game, designed to be played by several teams (companies) of several players (executives) each, reproduces many aspects of real-life decision-making.

The association expects to use the game for training managers. Lawrence Appley, AMA president, says its first application will be in the program of the association's new Academy of Advanced Management at Saranac Lake, N. Y., as part of a course in decision-making. Mr. Appley expects the new war game for business executives to be the most important single training tool used in the Saranac program.

The 30 businessmen who played the game in New York came away with (continued on page 122)

HOW YOUR CUSTOMERS COME AND GO

THIRTY-FIVE MILLION Americans, 21 per cent of our population, will move to a different house this year. Twenty-three million will move to a different residence in the same county, 7 million will move to a different county in the same state, and 5 million will move to a different state.

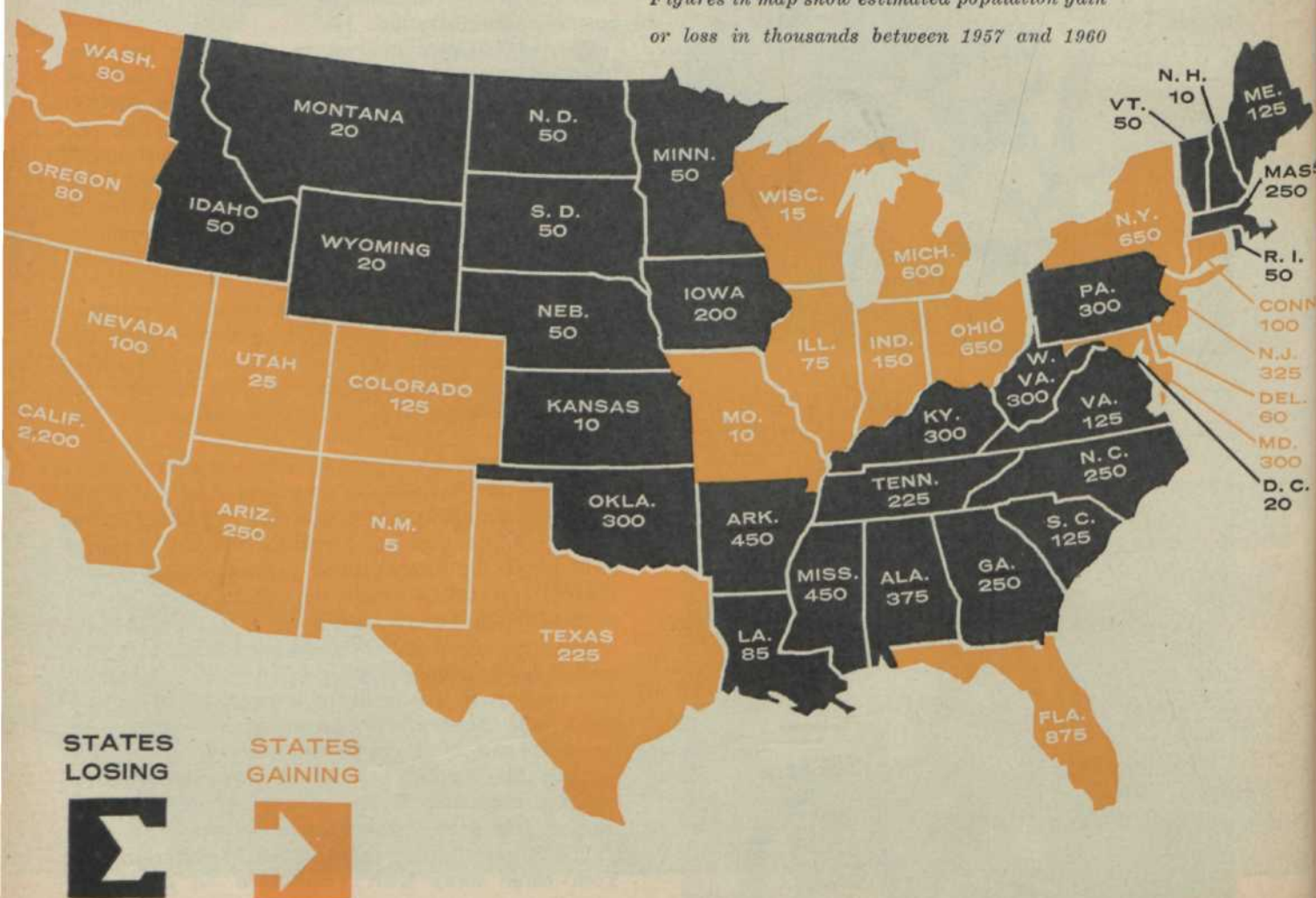
This tremendous mobility, greatest for any country except possibly the forced migrations under totalitarian regimes, has enormous impact on the character and size of markets, the availability and nature of worker supply, and the demands for housing, schools, public utilities, and other facilities.

If present mobility trends continue—and they have remained relatively constant since World War II—it means that by 1965 those moving each year will increase to 40 million, assuming population then will be 190 million.

The accompanying map, based on Census Bureau

TREND of migration, shown below, will be counterbalanced by population growth which will give most states more people

Figures in map show estimated population gain or loss in thousands between 1957 and 1960



data, shows expected population shifts through interstate and foreign migrations up to 1965. Gaining most will be New York, New Jersey, Maryland, Ohio, Michigan, Florida, Texas, Arizona and California.

Although 27 states and the District of Columbia will lose population through migration if present trends continue, the 20 million excess of births over deaths expected by 1965 will give almost all states a net gain when considering all components of population change. Economic changes could also reverse the trend in many states.

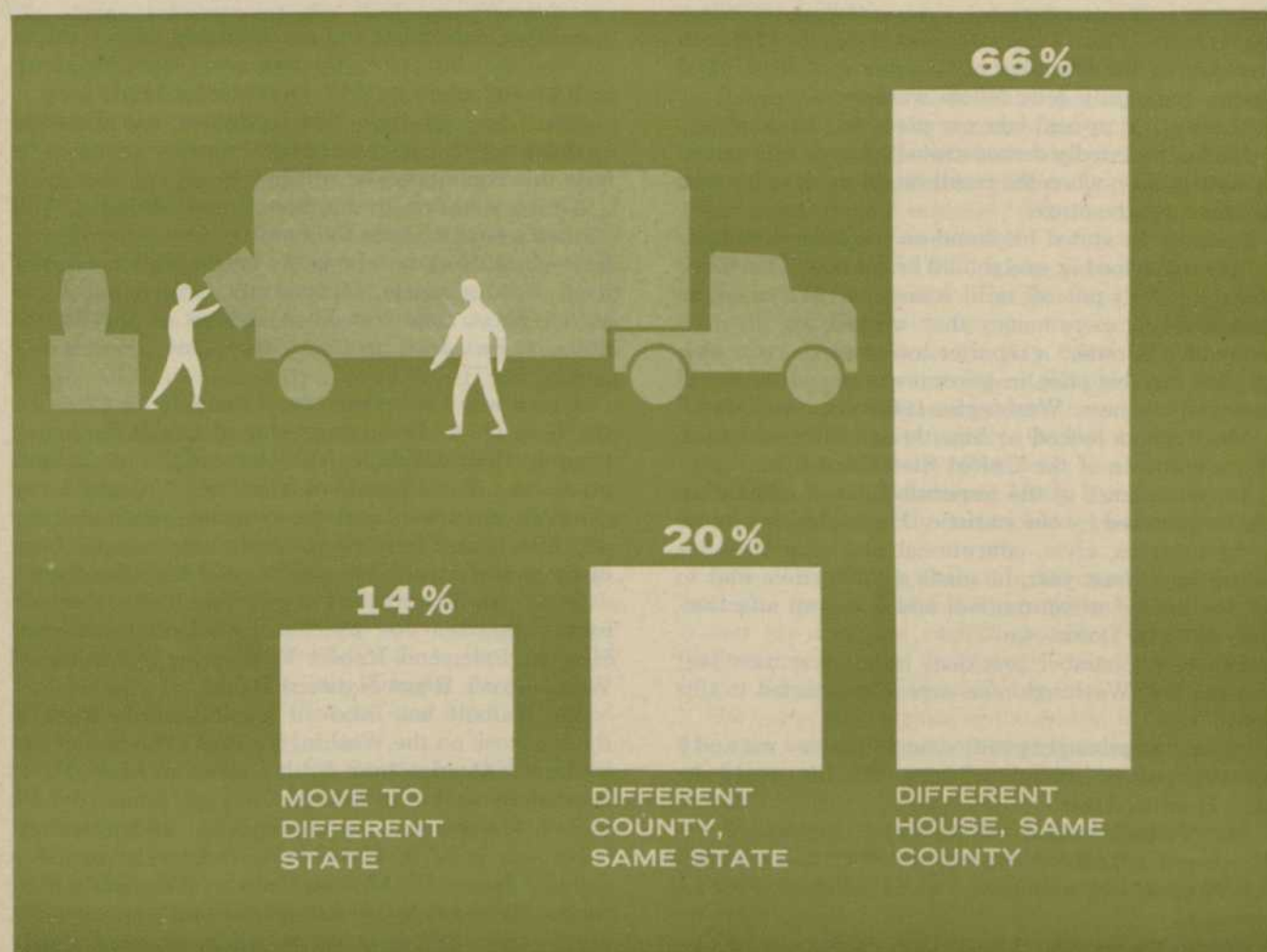
Youths aged 20-24 show greatest mobility, with 45 per cent of all persons in this group changing their residence each year. Mobility gradually decreases with age, with 26 per cent of those 30-34 moving each year, 12 per cent of those 45-64, and 10 per cent of those 65 and more.

Young people also move farther away, with one

fourth of the 20-24-year-old movers going to a different state, while the proportion of interstate movers is one sixth for those 30-34, one ninth for those 45-64, and one tenth for those 65 and more.

Mobility also varies widely among occupational groups. While 17 per cent of all employed males change their residence each year, only 8 per cent of the farmers and farm managers move, but the proportion of movers is 25 per cent for sales workers, and 27 per cent for farm laborers and foremen. Percentage of movers among other occupational groups is: Self-employed managers, officials, and proprietors not on farms, 12 per cent; salaried managers, officials and proprietors not on farms, 15 per cent; clerical workers, 15 per cent; craftsmen and foremen, 15 per cent; professional and technical workers, 17 per cent; service workers, 17 per cent; non-farm laborers, 17 per cent; and operatives and kindred workers, 20 per cent.—FRED D. LINDSEY

MOBILITY of Americans is illustrated below. Of millions of persons who move each year, 14 per cent settle in new state



HE PUTS CITIZENSHIP FIRST

U.S. Chamber's thirtieth president believes facing national issues is every man's duty

PHILIP M. TALBOTT, just elected as the thirtieth president of the Chamber of Commerce of the United States, frequently tells fellow workers:

"Let's stand up and take our place on this issue."

He has repeatedly demonstrated his own willingness to do this, even when the result might work to his own personal disadvantage.

Recently he stated his stand on the federal budget:

"It's much too big, and should be cut now. This is one chore we can't put off until tomorrow. We've got to stop spending more money than we take in."

"Wait a minute," a reporter interrupted, "you realize that any big slice in government spending would hurt your business. Washington is Government Town."

Mr. Talbott looked at him thoughtfully and said, "I am a citizen of the United States first."

His acceptance of the responsibilities of citizenship can be glimpsed by one statistic. He is a leading figure in 28 business, civic, educational and charitable organizations. Last year, he made a 12,000-mile tour to sell the idea of urban renewal and is known affectionately as "Mr. Downtown."

The new Chamber president is the first merchant and the first Washingtonian ever to be elected to this office.

He is a surprisingly gentle man with a dry wit and a startling pair of sandy eyebrows. His life would delight Horatio Alger.

Mr. Talbott started selling boys' clothing in the Woodward & Lothrop department store as a 19-year-old Virginia lad, and today, at 61, is its senior vice president.

Years of across-the-counter contact have given him an understanding of the American consumer that

astonishes economists and psychologists. When others forecast that buyers would stay away from the stores in 1956 and again in 1957, he shook his head.

"No," he explained, "the consumer has complete confidence in his own economic future. As long as he feels this confidence, he will buy."

A man is known by his friends and admirers. Phil Talbott's stretch across the country. One is Sen. Harry F. Byrd of Virginia, who is not known for his superlatives. But the senator said warmly, "Phil is one of the ablest, finest and most loyal citizens of the United States." He added, to clinch the point, "He's a Virginian, too."

A man who has known him intimately for 26 years, the Rev. H. A. Donovan, rector of Christ Episcopal Church, Charlottesville, Va., observed, "Phil Talbott possesses a marked sense of humility. With the many demands upon him, and the constant pressure under which he lives, I have never known him to be too busy or too occupied to be thoughtful and kind to others."

Others who share this esteem for Mr. Talbott include former Speaker Joe Martin, Presidential Assistant Howard Pyle, and Robert V. Fleming, chairman of Washington's Riggs National Bank.

Mr. Talbott has lived all his life within sight of the big clock on the Washington Post Office tower, yet he knows America from Fifth Avenue to Main Street intimately, and was awarded a high honor by the French Government for international understanding.

He was born on Lincoln's birthday, the son of a country doctor, Dr. Melville Talbott. The family lived on the highest ridge of Arlington County overlooking the Potomac River and the flat plain of official Washington. On clear days, the boy would stare through an



ROBERT PHILLIPS—BLACK STAR

Philip M. Talbott is department store executive

old Army telescope at the clock on Pennsylvania Avenue. Today, his office looks out on the same tower. He sets his watch by the clock.

This is a closely knit family. One of the 2,000 babies delivered by Dr. Talbott was a girl, Delevan Redfield Thompson. She is now Mrs. Philip Talbott. They have two children, a daughter and son.

Phil Talbott went to work for the old store, known as Woody's to any who have lived in Washington, because it seemed the natural thing to do. As a boy, he admired the wonders and strange fragrances of the store. He worked as salesman, buyer, floor manager, and research director before moving into the executive ranks. Except for service in World War I, Mr. Talbott has been in Woody's continuously.

To younger men who chafe at the slow march of their own progress, he will remark, "When the going gets rough, remember the adversities of one of the greatest Americans, Abraham Lincoln. In 1831, he failed in business. In 1832, he was defeated for the state legislature. In 1833, he failed in business again. Elected to the legislature in 1834, he suffered a nervous breakdown in 1836. In 1838, he was defeated for speaker of the legislature. In 1840, he was defeated for elector. In 1843, he was defeated for Congress. Elected to Congress in 1846, he was defeated for reelection in 1848.

"He was defeated for the Senate in 1855 and for Vice President in 1856. In 1858 he was again defeated for the Senate.

"In 1860, he was elected President."

Mr. Talbott loves the department store which he has tried to give the friendly atmosphere of a small book shop where customers browse over the pages. As he

walks through the aisles, he comments, "A store with character is like a living person."

He knows the story of the leather in the black gloves on the counter, the moods of the teen-age girls who, in saddle shoes and bobby sox, crowd around a pink party dress, and the motherly clerk who patiently helps a customer whose English is limited. To Philip Talbott, trade is not only a business; it is a romance and an endless exchange of knowledge.

His office is behind the luggage department with its good smell of fine leather. His secretary, Mrs. Alice B. Winters, has been with him for 31 years. Plate glass and mahogany enclose his tidy office. He can look through one pane to the office of the president with the original roll-top desk and grandfather clock. His desk is neatly stacked with papers. On the wall is a photograph of himself with President Eisenhower. (He calls himself an "Eisenhower-Harry Byrd Democrat.") From below comes the busy clatter of the downtown streets.

Personally, Philip Talbott is the opposite of the big business tycoon featured in cartoons. He does not pound his desk, eat underlings alive, or glare. Mr. Talbott has a gentle and courtly manner reminiscent of the Virginia of Robert E. Lee.

His voice, with a trace of the South, is never raised. His eyes behind horn-rimmed spectacles are mild and good humored. He avoids superlatives or aggressive words.

At a recent gathering, he corrected another who spoke of a controversy and an argument.

"I would call it a frank and fair exchange of views," he said.

This is only a part of (continued on page 44)

What to expect from foreign aid

What are we trying to do?
How could we do it better?
What's wrong now?

CONGRESS SOON must decide the wisdom of adding new billions to the \$64 billion of American taxpayers' money which already has been made available to the world since the close of World War II.

The decision facing Congress is:

1. Should any or all of the more than 2,000 foreign aid projects now under way be discontinued?

2. Should they be continued as they are?

3. Should they be modified, and how?

Much of the debate leading to the final decision will center around the question "how much?"

This is not the only important question of interest to Americans.

One of our national weaknesses is failure to distinguish between the simple and the complex. We debate foreign aid as though we are dealing with simple aggregates that are either all good or all bad.

The fact is that foreign aid is not a simple—or even a single—issue. It is a bundle of issues as well as part of the much larger problem of foreign policy.

The question we really need to answer then is:

How far can we depend on foreign aid as an instrument of our foreign policy?

For the first time in 10 years we are making an intensive effort to answer that question. The Senate,

through its Foreign Relations Committee and a Special Committee on Foreign Aid, has already released a number of the research reports being made under its auspices and has been holding hearings on them.

It is also sponsoring 10 on-the-spot surveys of our foreign aid programs.

The House Foreign Affairs Committee is making its own studies.

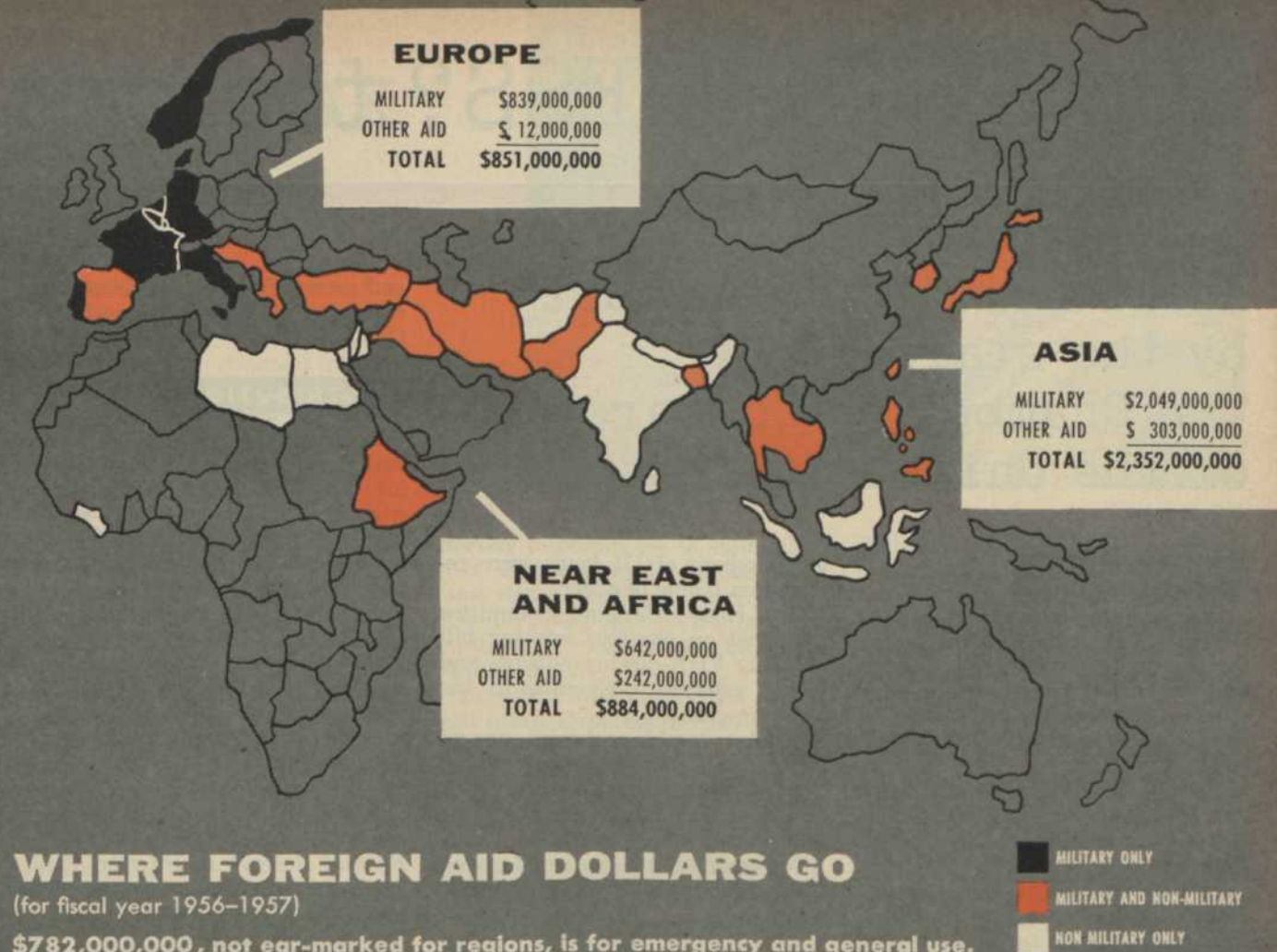
The Administration has sent a Citizens' Committee, headed by Benjamin Fairless, around the world to see what foreign aid is accomplishing. The Committee's report proposes that foreign aid programs be continued at about their present levels, with greater empha-

LATIN AMERICA

MILITARY	\$35,000,000
OTHER AID	\$61,000,000
TOTAL	\$96,000,000



AID ANALYST Howard S. Piquet for some years was chief of the Economics Division of the U. S. Tariff Commission. Later he served with the Office of War Mobilization. Since 1946 Dr. Piquet has been an adviser to Congress on international economic questions. He has just returned from a trip to the Orient where he observed our foreign aid programs at firsthand. Expressions of opinion contained in this article represent his own point of view, not necessarily the point of view of any government agency



sis upon the making of private investments.

Also, the President's International Development Board, headed by Eric Johnston, has recommended a large, long-range aid program for economic development.

The Administration's proposals for next year's foreign aid program will be based upon some sort of compromise between these reports.

So it seems likely the American people will be committed to adding new billions to the \$64 billion they have already made available to other countries. More than \$49 billion of this has been outright grants and slightly less than \$15 billion has been loans and credits. Through the past decade we have been helping other countries to the extent of slightly more than 1.8 per cent of our gross national product.

It is reasonable that a people with this kind of continuing investment in foreign aid should ask such questions as:

- What are we trying to do?
- How could we do it better?
- What's wrong now?

The basic answer to the first question is simple enough: We are trying to protect the United States.

The purpose

If it is true that the arc extending from the Aleutian Islands through Japan, Korea, Formosa and Southeast Asia is the western frontier of the free world, it follows that it must be defended militarily.

Because of the need for defending it, our foreign aid programs, since 1950, have taken on more and more of a military complexion. Of the nearly \$5 billion the Administration asked for foreign aid last year, \$3 billion was for direct military assistance and an additional \$1 billion was to support the economies of countries whose military strength is essential to our own safety.

In only one area—Latin America—is economic aid larger than military aid. However, the total sums being spent in that part of the world are relatively small. About 36 per cent of all nonmilitary aid currently goes to Asia and 29 per cent to the Near East and Africa.

Almost one half of direct and indirect military aid goes to Asiatic

countries, principally in the Far East. One fifth goes to Western Europe and about 15 per cent to the Near East and Africa. Another 15 per cent is not earmarked by region.

Unless military assistance can be justified in terms of the military security of the United States, it cannot be justified at all.

The cost of maintaining a Korean or Free Chinese soldier is but a fraction of the cost of maintaining an American soldier.

Since it is the judgment of our military authorities that the nationals of these countries make excellent soldiers when properly equipped, we would be acting contrary to our own self-interest if we did not rely upon them as far as possible for military defense.

Much can be said for not including military assistance and defense support as a part of foreign aid at all. What we spend to strengthen the military establishments of such countries as Korea and our NATO partners might more properly be considered as part of our military budget.

If these two items are viewed as
(continued on page 64)

HOW'S BUSINESS? today's

An authoritative report by the staff of The Chamber of Commerce of the United States

AGRICULTURE

In spite of an all-time high level of domestic demand for food in this country many students emphasize that one of the most important ways out for troublesome abundance in agriculture is to improve our dietary levels.

This view was the subject recently of a conference on nutrition education in Washington called by USDA. The discussions emphasized that knowledge of nutritional requirements and eating habits have not kept pace with rising incomes and other advancements in family living.

A USDA advisory committee on food and nutrition recommends research on cultural factors affecting food habits, a study to define the nutrient value of foods wasted, and research to compare the effects of new and different methods of preparation of food qualities and nutritive values.

Whether such research activity on diets and food habits will create wider acceptance of many foods, changes in production, processing and marketing of food commodities, depends on research results.

It depends also on effective educational methods to translate research into home and industry use.

CONSTRUCTION

Congressional attention in the housing field will be focused now on omnibus bills after an unusual tug of war on interest rates and direct lending proposals.

Twice the House Veterans' Affairs Committee rejected the Administration proposal to raise the GI home loan interest rate to five per cent.

The Teague Bill expanding the Veterans' direct home loan program passed the House, but efforts to amend it to increase the GI interest rate and to permit use of National Service Life Insurance reserve funds

for purchase of GI loans were rejected on points of order.

The House Banking Committee approved an omnibus housing bill reducing FHA down payments and giving veterans preference in the FHA program.

It also would authorize use of NSLI funds for direct GI loans up to \$1 billion, and another billion for purchase of GI mortgages in Fannie Mae's secondary market.

Meanwhile, the Senate Banking Committee was preparing its omnibus bill.

The national Chamber testified before the Senate and House Banking committees advocating flexible interest rates for GI mortgages and opposing direct lending.

CREDIT & FINANCE

Business activity has been good in the first three months of 1957.

While the cost of living has hit a new high the prices of industrial materials have declined.

Consumer spending is currently running about the same rate as a year ago for most goods including new automobiles, but home purchases are down. Government moves toward credit easing in the mortgage market may have a stimulating effect on the industry. Additional private funds are now also being shifted into the mortgage field.

Money demand may slacken somewhat during the coming quarter with over-all interest rates remaining at or below recent levels.

The Treasury has announced a new offering of \$3 billion, in certificates of indebtedness due 1958 and notes due 1960, for cash subscription. U. S. government bonds have been inactive and the stock market quiet. Corporate bonds will continue in good demand.

The establishment of a national Monetary Commission type study of the nation's financial institutions

and monetary policies is considered a possibility during this session of Congress.

DISTRIBUTION

The course of business for the remainder of the year should come into clearer focus in a few weeks when final figures for April—reflecting Easter business—are available. Feeling so far has been that the economy could move either way.

Actually, early figures on retail trade indicate a moderate but favorable rise in sales. Total sales in January and February (not adjusted for seasonal variation or price changes) were seven per cent above sales in those months last year. Price rises account for some of this increase.

Consumer income and spending continue to reach new highs. Latest Federal Reserve Board study indicates that consumers are generally optimistic about the future. Plans to buy major items show little change from early 1956, but a greater percentage of consumers is expected to spend more this year for home improvement and maintenance. Median planned expenditures for non-farm spending units is \$460. This should be encouraging to lumber and hardware stores which have experienced the most pronounced decline in sales early this year.

FOREIGN TRADE

The common market treaty signed by France, West Germany, Italy, the Netherlands, Belgium and Luxembourg may turn out to be one of the most significant economic events of the Twentieth Century. Provided, of course, that the parliaments of the six countries ratify it.

If the treaty comes into effect, the six nations will, for many purposes, become a single economic unit. Quotas, customs duties and the other barriers to the free movement of men, money and materials will be eliminated and a common tariff system against other nations will be created. Such developments will not happen overnight—complete elimination of duties within the six-nation common market, for instance, will not become fully effective until 1970. But formation of the common market is likely to result in the creation of a free trade area by the re-

outlook

maintaining nations of the Organization for European Cooperation within only a few months.

The European common market and free trade zone will pose many problems for American exporters, but the U.S. has given its cautious approval to the plan. Russia has officially denounced it.

GOVERNMENT SPENDING

The battle of the budget gets into high gear this month. Unless an economy bloc similar to that in the House takes sharper form, we can expect the Senate to restore many of the cuts made so far by the House. Resolution of differences by conference committees is especially difficult this year.

But the big money bills are still in the mill—defense, foreign aid, and public works.

The change in defense policy by Great Britain is causing searching analysis of our present policies in the Defense Department. Should the U.S. begin drastic reorientation in the same direction? It means less costs—but does it provide adequate security? Discussion of this problem is getting the attention of Congress.

Senator Byrd leads budget reduction forces in Senate, joined by more key Republicans as time goes on.

The Byrd budget and desire of both parties to get credit for tax relief for next year's elections may bring about a reasonable budget reduction. True key to success is continued public demand for economy.

LABOR

Congress is under increasing pressure to clear up the problem of federal-state jurisdiction in labor disputes. It results from three Supreme Court decisions which left many businesses in a no man's land.

They are denied relief under Taft-Hartley because the federal government considers their impact on commerce too light to warrant federal intervention.

The Supreme Court, in rulings covering businesses in California, Utah and Ohio, held that the states may not step in to fill the gap with state laws. This leaves both employer and union in these cases without protection of either federal or state law, unless Congress amends Taft-

Hartley to permit use of state labor laws, or the National Labor Relations Board decides to intervene in disputes affecting even the smallest business with an impact on interstate commerce.

President Eisenhower has in the past asked Congress to clear up the federal-state jurisdiction muddle. Now new legislation is being pushed to permit states to intervene when the federal government declines.

NATURAL RESOURCES

Atomic electric-power plants now under construction or in advance planning will get into full production between 1960 and 1964.

This estimated time table comes from Dr. Kenneth Davis, Director, Division of Reactor Development, Atomic Energy Commission, who spoke recently about the effect on the electric power industry if the political climate is favorable for private enterprise to progress in the development of atomic energy.

These first generation plants, as they are generally called, should result in an estimated total installed atomic capacity of about 2.5 million kilowatts by 1964.

Toward the end of this first generation, Mr. Davis feels, a turning point may occur when plants can be planned and designed which will be economic when built and successfully operated over a long period. This expansion phase is expected to show results by 1967, when added atomic capacity will possibly represent about eight per cent of all new additions to existing power capacity.

Atomic energy's share of new power construction will thereafter increase rapidly until 1980, when about two thirds of all new additions will be atomic.

TAXATION

Tax relief for small business is not a dead issue despite defeat of the

Fulbright and Sparkman proposals in the Senate.

The Joint Committee on Internal Revenue Taxation has been instructed to study the problem and present a workable program as soon as possible.

The Administration, through Secretary of the Treasury Humphrey, has also made clear that a program to aid small business will be forthcoming. Chances are small for relief in tax rates. The proposed help is likely to take the form of depreciation changes or estate tax revision to meet urgent need of all small business rather than solely for small corporations. This was the chief issue upon which the earlier proposals were defeated.

Tax cuts for individuals, along the same old patterns, are once again being talked. Reduction of the budget by more than a token amount would help to insure relief for individuals.

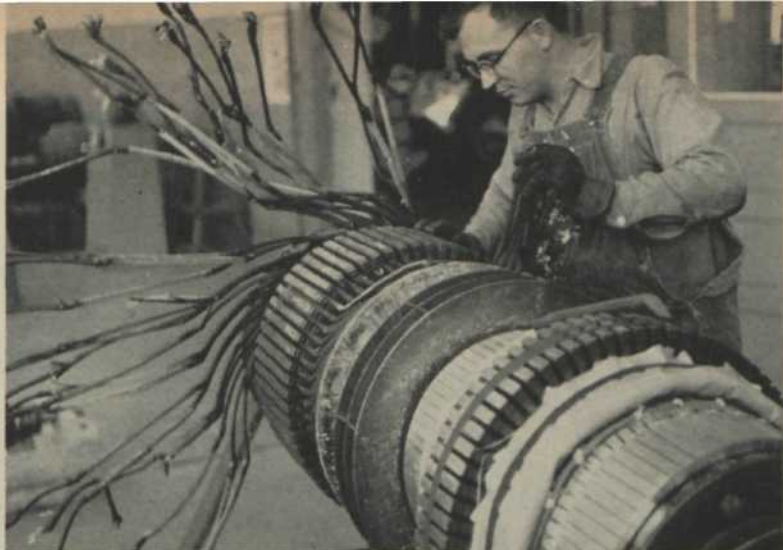
TRANSPORTATION

Hours will be cut to minutes for the highway engineers as electronic computers and photogrammetry replace tedious hand methods in preparing highway plans.

The computers will make it possible to figure the volume of earthwork quantities to be removed in 1/30 of the time a group of engineers would need to do the same work.

Likewise, photogrammetry in which an airplane is used to take aerial photographs of proposed highway routes will cut down to days work that normally would require months.

In addition to speeding up and reducing manpower requirements, the new methods will make it possible to evaluate several possible highway routes almost simultaneously to find out which one is the best and the most economical. This will save millions of dollars before the program is complete.



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CITIZENSHIP FIRST

continued from page 39

Phil Talbott's gift as a leader. One friend said,

"I have seen Phil come into a room of men as far apart as the poles and exert a calming influence that beats anything. Pretty soon the loud voices die down and tempers subside. I think we get kind of ashamed of ourselves when we see how reasonable Phil is.

"His method is to let everyone have his say; he's a hell of a good listener. Then he carefully builds a bridge between all the varied points of view. The secret of his success is partly that Phil really likes people and is pained to see them quarrel, partly that he isn't trying to get anything out of it for himself. I don't know anyone as selfless as Phil. There isn't a job he won't do, if he thinks it is worth while."

This is evident to all who know him. Recently, a guest sitting next to him at a banquet asked how he managed to be involved in so many civic activities.

"I like to work in organizations that improve the community," he said simply. "It makes you feel better about yourself."

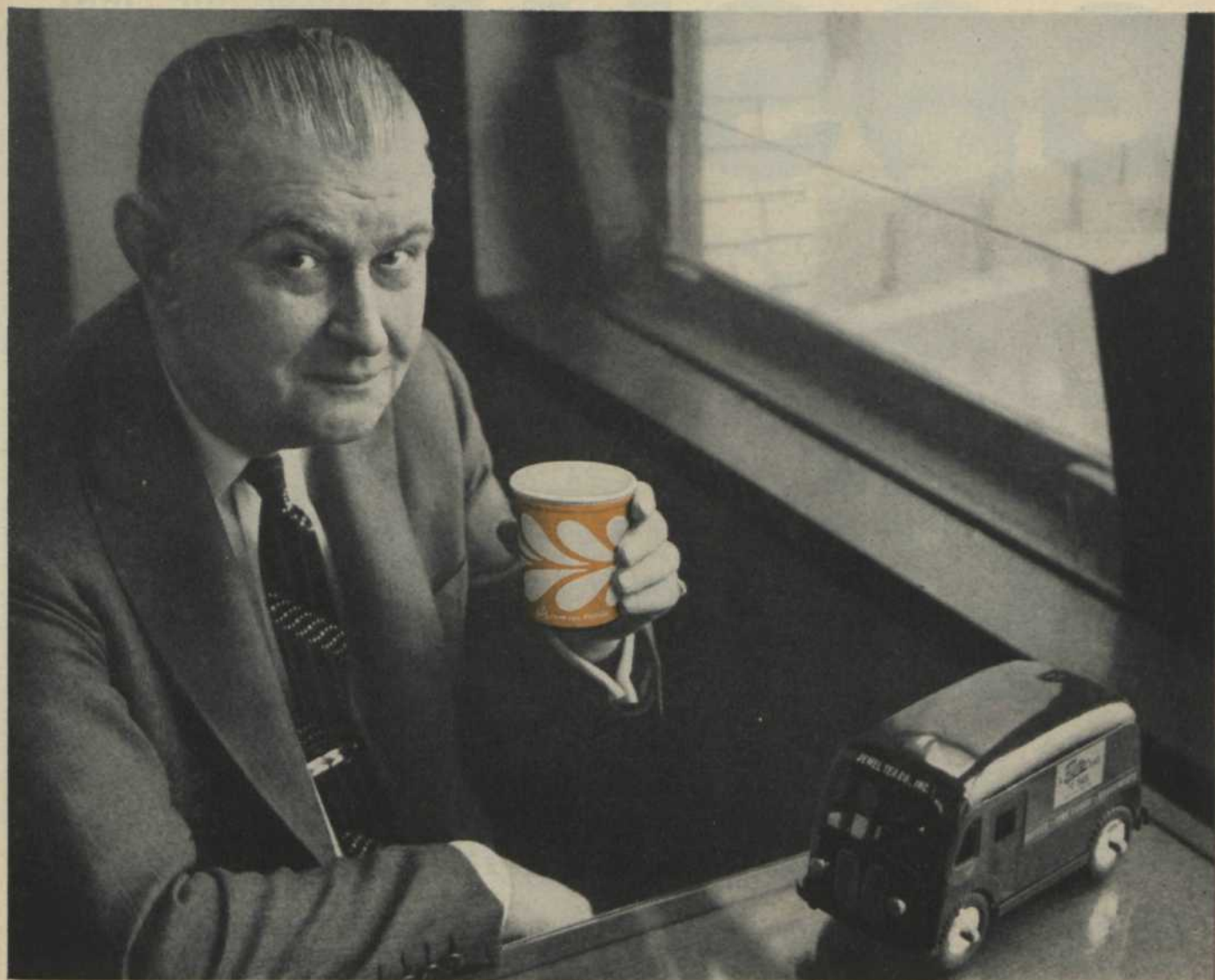
Another time, he said earnestly, "It's important for the individual to stand up and be counted in civic and political affairs. If you believe in something, you owe it to yourself to say so openly. Too many of us wait until too late to get steamed up."

He was asked, "But don't you think it wiser for the businessman to stay out of local controversies?"

Mr. Talbott said, "I have never found that a businessman loses customers for taking part in local issues. Instead, he is respected."

He has consistently taken part. The record shows that he is currently president of the National Chamber and the Washington Board of Trade; immediate past president of the National Retail Dry Goods Association; chairman, Business Advisory Council, American University School of Business Administration; executive committeeman, The Greater National Capital Committee; first vice president, Merchants and Manufacturers Association of Washington; past president, Washington Rotary Club; past commander of his American Legion Post, and executive committeeman of the local Red Cross. He is associated with the Y.W.C.A. (as a financial adviser), the United Givers Fund, National Foundation for Infantile Paralysis, and President's Committee to Employ Physically Handicapped.

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CITIZENSHIP FIRST

continued

as the other traits that make up the useful personality of Phil Talbott, may well stem from his life on the high ridge of Arlington. For his father, as a country doctor, was the spirit of community service.

Another trait is thrift. This was the ethic of his childhood. It was preached in the home, the church and the schools.

"We, as a people and a nation," he observed recently, "should spend wisely and not buy what we do not have the means to buy." He reflected and repeated the phrase, "Spend wisely. You make money this way, by using money to its best advantage."

Of the mammoth federal budget, he says, "We have put off the job of economy—and it is a hard job—too long. We must make up our minds now to stop spending recklessly. We can't afford to pass the job on to the next generation. This is the responsibility of a courageous people."

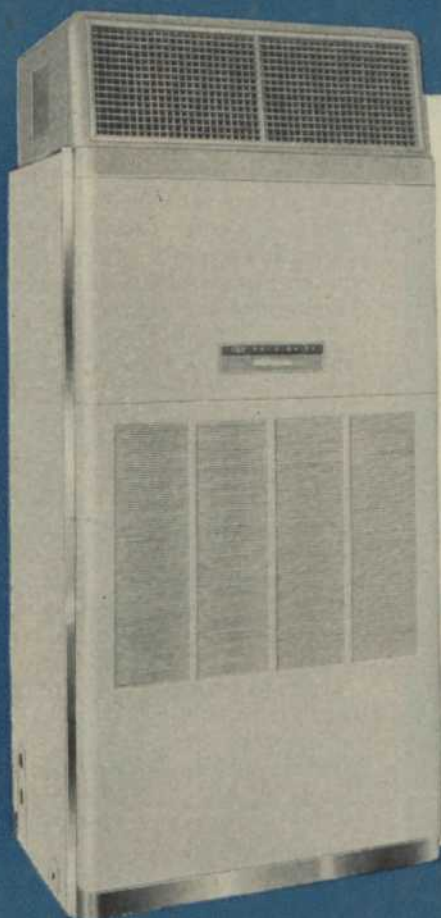
To Mr. Talbott, the growing waves of federal spending not only wash away the economy; they weaken the moral strength of the people. The dependence of states or groups on the national government for funds is, to him, like that of a patient who uses a crutch or a drug long after any real need exists.

"There are certain services we expect the federal government to provide—such as national defense—and we expect to pay for them," he says. "Also, in emergencies, the government can stimulate progress. Atomic energy, because of the vast research, needed federal investment to get started. Uncle Sam put farm-

Mr. Talbott and Post Office clock



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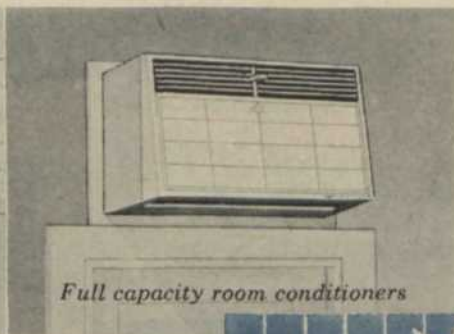
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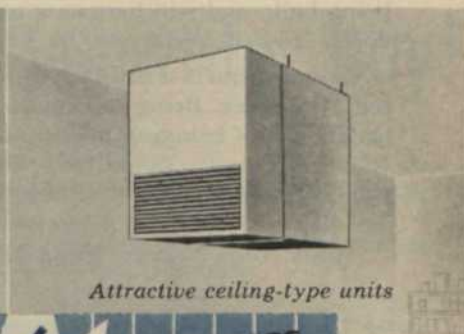
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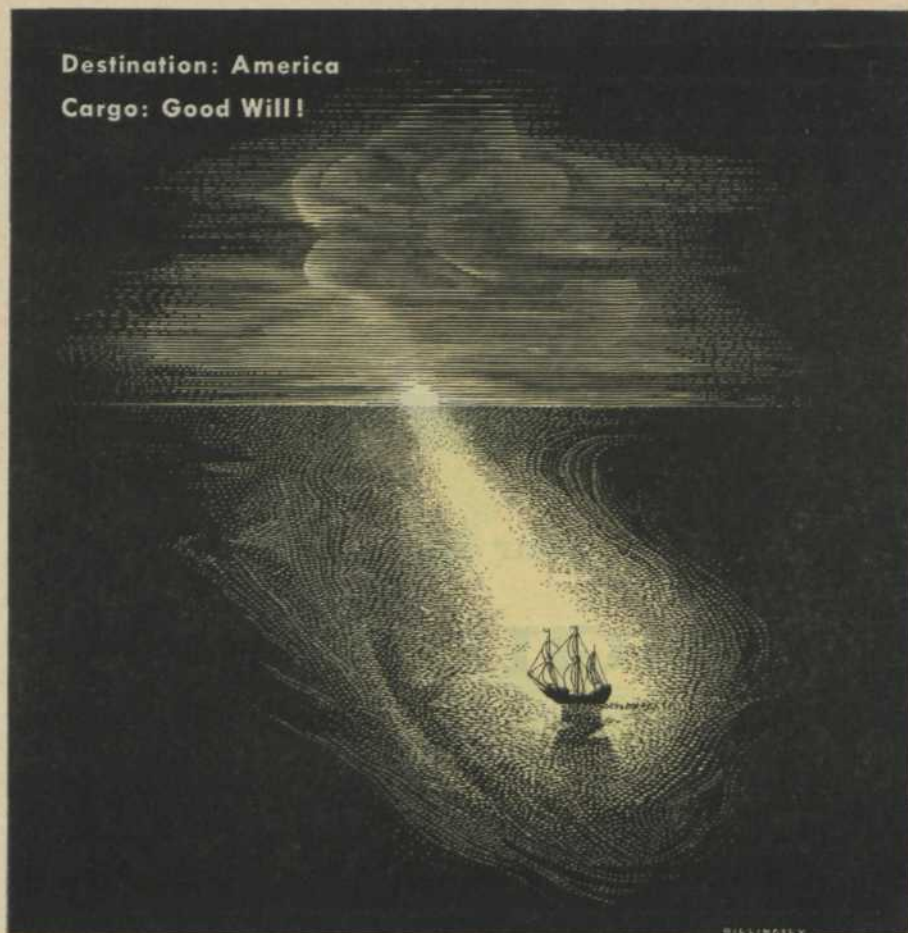


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CITIZENSHIP FIRST

continued

ers back on their feet in the 'Thirties. But the idea that any economic group should expect indefinite subsidies is dangerous.

"Why, for example, should we operate the Post Office as a business failure? In our prosperous times, we can certainly afford to pay enough for stamps to take the Post Office out of the red."

The philosophy of federal aid to local government, in Mr. Talbott's view, has held back reform and progress.

"The states," he remarks, "could have done a much better job in providing schools if the prospect of federal aid had not been dangled before them. The tradition of communities running their own schools and paying for them is uniquely American and ought to be preserved."

If the federal expenses are heavily trimmed and our distribution system modernized, Mr. Talbott sees the economic future as opportunity unlimited.

"I'm not a pessimist," he told a group of businessmen. "I can give you one statistic. It's this. In the year 1955, more than 4 million babies were born in the United States. This means that our consuming public is expanding at an amazing rate. These 4 million new consumers each year give our economy a tremendous push. We in the department store field know very well just how the arrival of a new baby increases a family's spending for clothes and nursery furniture alone.

"And, as a family increases in size, it needs more living space—it moves to a larger apartment, then to a house, and on to a larger house. I can tell you there's no customer a department store would rather have than an expectant mother, because she and her growing family represent the promise of increased purchasing power for years to come.

"Now, this growing family wouldn't hold so much promise if it merely re-arranged its expenditures to accommodate an extra member, cutting down here to feed and clothe the new arrival. But that simply isn't the case. Family incomes are increasing dramatically. And the consumers themselves are highly optimistic about their own economic future."

Of the controversy over credit, Mr. Talbott said recently, "I disagree with those economists who wring their hands over consumer indebtedness. It is not out of line. The Ameri-

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CITIZENSHIP FIRST

continued

can consumer is his own best credit manager and has demonstrated this fact again and again. I do not believe actual or standby legislative regulation of consumer credit is necessary. I told the President so when I had the honor to discuss this with him last fall. In the retail field, credit is no higher than in 1949, and not much above 1939."

These views are not drawn from an ivory tower, but from face-to-face talks with American businessmen—merchants and bankers and industrialists, big and little—in every section.

Mr. Talbott has been a guiding spirit in a national campaign to vitalize the hearts of cities. This is a vast and complex crusade to rebuild the downtowns, untangle traffic problems, modernize stores and dwellings, and raze the slums.

Not long ago he said:

"Downtown is a living, vital force. Whether in a small village, Chicago's Loop, or New York's Fifth Avenue, it is the center of our social, cultural and economic life. Downtown is more than its great stores. It is the hub, the lifeline of every community and every city. It stands in the center of our financial life with its banks, offices and business enterprises. It is the focal point of all transportation systems, and the crossroads of communications. From downtown emanate the economic impulses that maintain our farms, our factories, our governments and industries. In a way downtown is to the community what the heart is to the human body. A sick downtown spreads its disease to every area of community life."

Mr. Talbott's idea is for business and civic leaders in each community to set up a small action committee. The committee would represent downtown property owners, financial institutions, metropolitan press and radio, utility companies, and retailers. Among its goals would be: rapid, express transit service and even helicopter landing areas; expanded parking areas; modernized buildings, and slum clearance.

In Washington, where Mr. Talbott has worked hard to get his points across, major progress can be reported.

To a man with such interest in people, world peace is a natural concern. He sees trade as a bridge to span the oceans of distrust and fear.

"The traders are the peace makers," he said recently. "They trade understanding as well as goods. They

(continued on page 54)

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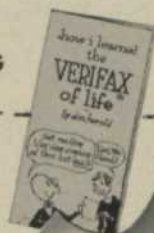
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"But nobody dies on purpose, Cal!"



Cal: It couldn't be worse if you'd planned it that way.

Dan: But I left my business to the family.
What happened?

Cal: Estate taxes, Dan. Inheritance taxes.

Dan: I don't understand. What about my credit?

Cal: A-1, Dan. But—ahem—you're gone.

Dan: Oh. You mean, the bank wouldn't —?

Cal: No, they wouldn't. I had to sell the business.

Dan: Oh.

Cal: I told you to consult your attorney.
Your banker, too.

Dan: I remember. Business insurance.

Cal: Business insurance by Equitable.

Dan: I know, I know.

Cal: Just as important as planning production quotas.

Dan: Enough, Cal. You'll do your best?

Cal: You know I will, Dan. But my best will be a
salvage operation.

Dan: If I had it to do over—



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CITIZENSHIP FIRST

continued

communicate the ideals and ways of living of their people and bring back home an understanding of lands visited. Better knowledge reduces suspicion and thus the danger of war.

"This understanding goes all the way back to the consumer. When, for example, a Washington shopper buys an Italian vase, she is curious about the people who made it and asks questions. So the counters of the stores are playing a role in international relations."

Trade to him is a two-way street with vast possibilities for improving our own and others' economies. He likes to tell of the Paris store which featured American teen-age dresses and had a sell-out.

"We have much to offer the world from our factories and looms and mines, and the imaginative American consumer is interested in a variety of foreign products," he says.

This flow of trade is a surer cure for pinched economies than foreign aid grants, in his opinion. He has said, "Economic and technical assistance to train and give our friends the tools for making products the world needs is valuable. But grants should be limited to emergencies. The 'how much can we give away' theory of foreign aid not only damages our own economy, but isn't appreciated by the recipients. My own experience is that foreign business and political leaders are not too happy about the give-aways. They would rather we help them help themselves."

Mr. Talbott is a Chevalier of the French Order *Merite Commercial* for his "substantial contribution to the development of commerce and trade between France and the United States."

To all his varied interests Phil Talbott brings a refreshing common sense. This is illustrated by an incident.

A meeting was involved in wrangling until one of the men said with an air of exhaustion, "Well, Phil, what do you think?"

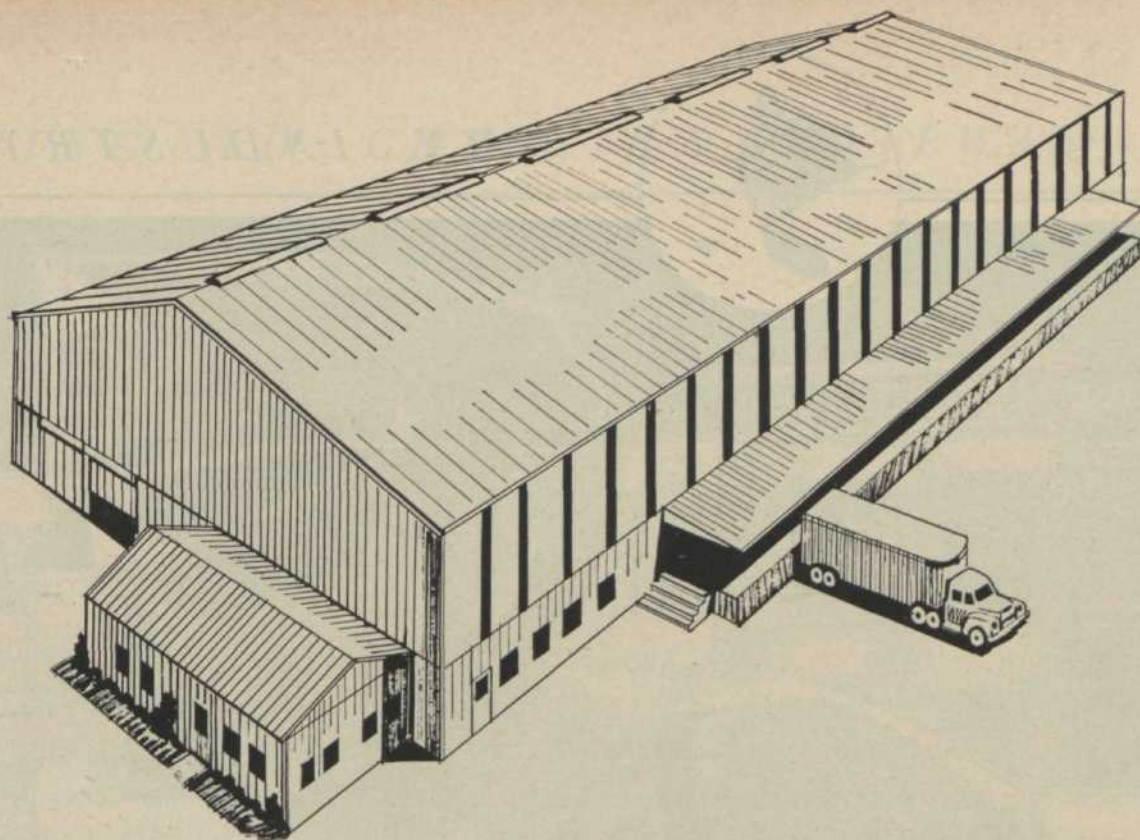
An amused smile tugged at his lips and lit up his mild eyes. He said, "Abraham Lincoln was once faced with a pressure group. It was very insistent that he favor a cause he didn't believe could succeed.

"Lincoln asked them, 'How many legs would a sheep have if you called its tail a leg?'

"Five," was the answer.

"Wrong," said Lincoln. 'Calling a tail a leg doesn't make it one!'"

—TRIS COFFIN



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3,000 applications... for a job that didn't exist

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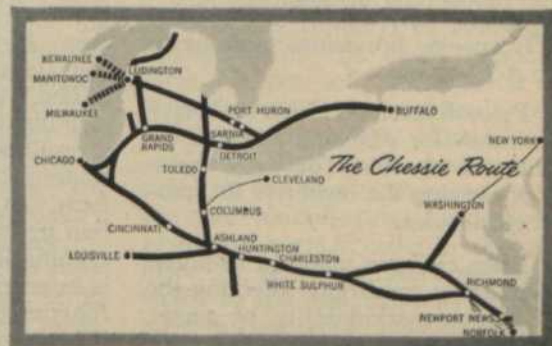
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PRICING PROPOSAL AFFECTS YOU

Here are arguments on both sides of price discrimination issue now before Congress



FOR

THE ISSUE raised by S. 11—a bill to strengthen the Robinson-Patman Act—is basically one of what our national antitrust policy should be in the field of distribution.

The Robinson-Patman Act prohibits price discriminations in the course of interstate commerce between purchasers of commodities of like grade and quality, where the effect may be substantially to lessen competition or tend to create a monopoly, or to injure competition with either the grantor of the discrimination (the seller) or his customers, or with one who knowingly receives the discrimination (the favored buyer).

By specific provisions, nothing in the Act prevents:

1. Price differences which make due allowance for differing methods or quantities of a sale or delivery, thereby preserving the incentive for market efficiencies.
2. Price changes made in response to changing conditions affecting the market or marketability of goods, thus recognizing the need for price

differences to meet changing market conditions.

3. Sellers from selecting their own customers in bona-fide transactions, thereby preserving the basic freedom of sellers to choose with whom they do business.

The Act became law in 1936 by overwhelming approval largely as a result of the oppressive discrimination which spread throughout the economy. One committee of Congress which conducted an investigation of the situation found evidence of many price discriminations in favor of large retailers over their smaller competitors. It disclosed that more than \$6 million was paid by manufacturers to a large retail food distributor in one year. The evidence was overwhelming that price discriminations were so rampant as virtually to destroy equality of opportunity of retailers to compete in many lines.

Supporters of S. 11 strongly favor passage of this bill because they believe that, unless it is strengthened, the Robinson-Patman Act is doomed. It cannot serve as an effective instrument to prevent harmful discriminations in its present state of weakness. If the Act cannot meet this test, its usefulness is lost.

The weakness in the Act is that meeting competition in good faith, as a result of an interpretation by the Supreme Court, is a complete defense to a charge of price discrimination irrespective of its effect. A discrimination can, under the Act as it is interpreted today, actually injure the competitive system substantially; it can tend toward the creation of a

EVERY BUSINESSMAN who buys or sells goods will be affected by a proposal now before Congress.

Supporters of the bill say it must be passed in order to prevent unfair price discrimination. Opponents say the measure would destroy a seller's freedom to meet his competitor's prices.

The issue—with strong support on both sides—revolves around the "good faith meeting of competition" as a defense to a charge of price discrimination under the Robinson-Patman Act. This Act amended the Clayton Act of 1914 and is an important part of the antitrust law.

The bill at issue is proposed as an amendment to the Robinson-Patman Act.

In the Senate it is identified as S.11; in the House of Representatives it is H.R.11.

As originally passed, the Clayton Act made it unlawful to discriminate in price between purchasers where the effect would substantially lessen competition

monopoly, it can force many distributors out of business, yet nothing can be done to stop it. This is why the supporters of S. 11 see the entire Act on trial.

The solution offered by the bill is to make meeting competition a conditional defense. It would remove the defense only where a substantial injury to competition or a tendency toward monopoly is likely to result from the discrimination.

If, on the other hand, the injury is not so severe or so extensive as to create a probable substantial injury to competition or a tendency toward monopoly in a line of commerce in a section of the country, the defense of meeting competition will prevail. This would restore the Act to its original purpose, that of protecting the competitive system.

Opponents say the bill would deny the right to meet competition. This is not so. It merely prohibits the use of a method to meet competition which will destroy competition. What is prohibited is a harmful means of accomplishing a lawful end.

The right to meet competition is essential to any business. But a right of this nature cannot be absolute. It cannot be exercised in a way to destroy concurrent rights of others. Independent retailers have a right to meet competition, also.

If a discrimination given to meet competition is permitted regardless of its harmful effects on the competitive system, the result is to deny to distributors discriminated against the right to meet competition of competitors who receive the discrim-

(continued on page 62)

or tend to create a monopoly. In 1936, the Robinson-Patman Act justified price differences if a seller could show that a lower price was made in good faith to meet an equally low price of a competitor.

Since then, the Supreme Court has ruled that "good faith meeting of competition" is an absolute defense to a charge of price discrimination. Some lawyers claim this creates a loophole in the law designed to guard against unfair price discrimination and monopoly. It is this so-called loophole which S.11 and the companion House bill are intended to close.

Whether this proposal should be passed or rejected is a matter of considerable disagreement in both government and business. The Federal Trade Commission has notified Congress of its approval of the proposed amendment, yet FTC chairman John W. Gwynne does not agree.

Judge Gwynne recently told the antimonopoly subcommittee of the Senate Judiciary Committee:

"Some segments of small business insist that it would be beneficial to them. Others are equally convinced that, to them, it would be injurious. For my part, however, I know of no evidence on which a satisfactory conclusion can be based. . . . If further legislation be thought necessary, it might be well to consider an amendment which would positively resolve these disagreements."

To find out why some segments of business support the proposal and some oppose it, NATION'S BUSINESS asked for comments by Henry J. Bison, Jr., associate general counsel of the National Association of Retail Grocers, and George P. Lamb, counsel for several national trade associations, including the Waxed Paper Institute, American Home Laundry Manufacturers Association, Institute of Appliance Manufacturers, Fine and Specialty Wire Manufacturers' Association, and Wire Reinforcement Institute. Mr. Bison supports the proposal. Mr. Lamb opposes it.

AGAINST

S. 11 AND H. R. 11—called by their proponents the "equality of opportunity" bills and by their opponents the "anti-good faith" bills—have aroused almost unprecedented interest among businessmen. This is because they raise a question basic to their very existence. That question is: "If these bills are passed, how far will we be able to go in meeting our competitors' prices?"

Ours is a competitive system. Price is one of the most important elements of competition. In an industry whose product is homogeneous, price is often the deciding element. A pound of sugar is a pound of sugar, whatever refinery produces it, and a grocer or housewife buys by price. A bag of cement is, for all practical purposes, like every other bag of cement, and a contractor will buy from the manufacturer who offers the lowest price. A competitor, to sell his sugar or cement, must be free to meet the lowest price offered in a market or to a customer, or he is out.

As originally written to amend

the price discrimination provisions of the Clayton Act, the Robinson-Patman Act recognized that a seller must often reduce his price "to meet the equally low price of a competitor." Thus, Robinson-Patman provided that selling to one customer at a lower price than that offered to others was not an illegal price discrimination, when made in good faith to meet a competitor's price. The Supreme Court, in the now famous *Standard Oil of Indiana* case, held that this good faith defense was valid, even though price differences among the seller's customers may, in the words of the statute, "be substantially to lessen competition or tend to create a monopoly."

This ruling said to the businessman, you may lower your price to one customer, if you do so in good faith to meet a competitor's price. You do not have to give all customers the lower price to avoid violating the Robinson-Patman Act.

Thus, as the law now stands, a seller can meet a competitor's price on the spot. He must be sure that the competitor is actually offering the lower price, but he does not have to stop to decide, 1, whether his financial position will permit him to lower his price to all competing customers, and, 2, whether, if he does not reduce his price to all, his act may result in substantially lessening competition or in a tendency toward monopoly at his or his customer's level, in any part of the country.

H. R. 11 and S. 11 would do away with the good faith defense, or at least so limit it as to make it virtually worthless. If enacted, these bills

would say to sellers, unless you lower your prices to all customers who compete with one another you may not lower them to any, even to meet the price of a competitor.

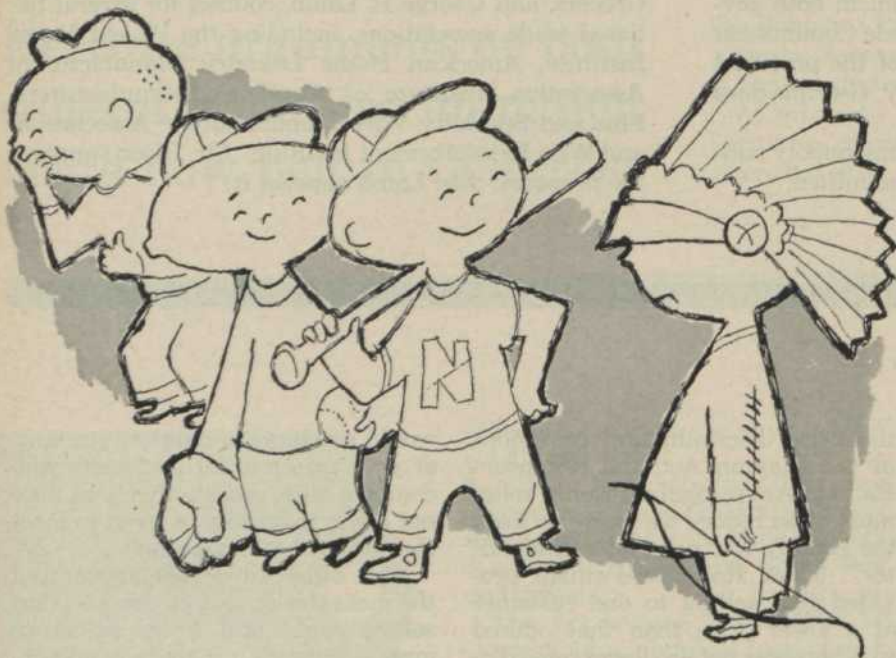
The bills' advocates argue that the measures do not go this far, that sellers could still lower prices to meet competition if there is no substantial lessening of competition or tendency toward monopoly. They counter objections to the measures by saying, "Do you want to lessen competition or help create monopolies?"

The answer is that sellers do not want these two things. They feel that competition requires that they be free to meet the prices offered by other sellers, without having to decide on the spot, often in the heat of bargaining, whether a court or the Federal Trade Commission might at some later date, after extended hearings and deliberation, find that the price reduction had the prohibited effect on competition. This freedom is necessary, they feel, if they are to meet price raids successfully and be able to localize price wars.

The businessman who would suffer most if S. 11 and H. R. 11 become law is probably the small manufacturer. He may sell, say, to 10 or 11 customers in a fairly large trade area. A large manufacturer offers to sell at a lower price to one customer located on the edge of the area. Must the small manufacturer cut his price to all customers in order to meet the price the large manufacturer is offering to the one customer? Under these bills he would have to do so, if cutting the price to one would have

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AGAINST PROPOSAL

continued

the prohibited effect on competition. Yet if he does not meet the larger company's price, he is in danger of having his customers picked off one by one and of eventually having to go out of business.

The small manufacturer could be adversely affected by the measures, too, as he tries to go into new markets. If he enters a market where a lower price prevails, can he meet it without reducing prices to customers in his old areas? Without spelling out details fully, jobbers may find themselves in situations like those outlined here for manufacturers.

S. 11 and H. R. 11 present these immediate problems for sellers, but they raise more basic questions. How much competition do we want? And competition for whom? Our basic antitrust policy, as incorporated in the Sherman Act of 1890 and in the Federal Trade Commission and Clayton acts of 1914, is one of hard competition. These laws were designed to keep the competitive arena free from illegal, unfair and predatory practices, but within that arena competitors are to compete. No one group of producers or sellers is to be protected. Actually, the laws are to protect the consumer, on the theory that competing firms will supply him with better goods at lower prices than will be the case if we have monopolies or cartels.

Developments in the 1920's and the 1930's, particularly the fair-trade laws and the Robinson-Patman Act, brought in the concept of soft competition. These laws blocked off certain parts of the competitive arena so that persons there might be protected from the rigors of competition. The Robinson-Patman Act was passed primarily in response to demands from grocers for protection from competition afforded by growing chain stores. The fair-trade laws were designed to protect retailers from competition among themselves. These laws, in other words, were to shelter competitors, not the ultimate consumers.

So with S. 11 and H. R. 11. They have been drafted in response to demands by small retailers, particularly in the gasoline and food fields. While in the end these bills would probably not offer the protection these groups expect from them, if the bills say anything it is that one more area—a limited group of retailers—is to be sheltered from competition.

One further basic question S. 11 and H. R. 11 raise is whether Congress is to be called upon to legislate each time a group of distributors

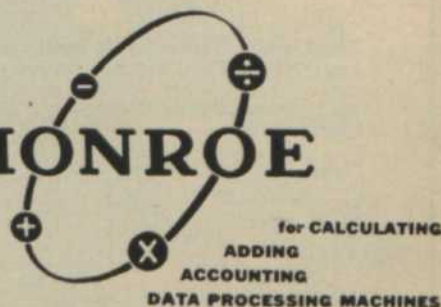
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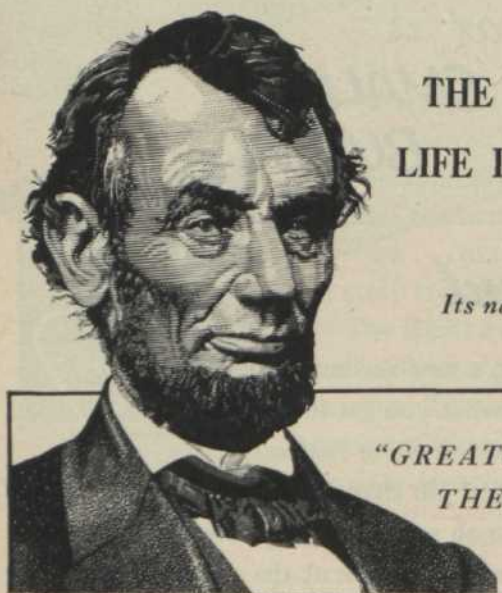
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AGAINST *continued*

is at loggerheads with suppliers. It has become increasingly fashionable for disgruntled distributors to go to Congress for legislative relief when they do not like what their suppliers are doing. Whether the problem is real is beyond this discussion as are the merits of the case. The question is whether all industry is to be saddled with legislation of this kind, when only a small segment may need relief. The answer is obvious.

—GEORGE P. LAMB

FOR *continued from page 58*

ination. No food retailer or other distributor can hope to succeed in a market where his competitor receives systematic, unjust, discriminatory price preferences. He cannot meet the lower price of a preferred competitor without facing ruin. There is no escape for him.

Opponents of the bill also say it would require a supplier to meet competition only by reducing his price for all his customers. This is false. It requires that, if a supplier reduces his price to one customer, he must give to those in substantial competition with this customer equal opportunity to share in the benefits of this price reduction, provided that, if this is not done, the probable effect of the discrimination will be a substantial injury to competition.

Allowing the meeting of a competitor's price as a complete justification for a discrimination, regardless of its effect, creates a serious loophole in the Act because it is not difficult for an unscrupulous buyer to obtain an offer of a lower price from some supplier and force regular suppliers to meet this price by a discriminatory price reduction. In retail food distribution, coercive buyers are taking advantage of this loophole in increasing numbers.

Consumers will benefit from closing this loophole. Competition among rival retailers is the strongest force tending to reduce prices. It follows that the best way to promote this is to stimulate suppliers to pass price reductions they make to competing buyers on a basis of fairness and equity. Where a supplier makes a price discrimination to a favored customer, the lower price goes to one and the higher price to all others. Consumers are far more likely to receive the benefits of reductions if price cuts are available to all competing buyers than if price discriminations are given to one or a few buyers accorded a special privilege.

—HENRY J. BISON, JR.



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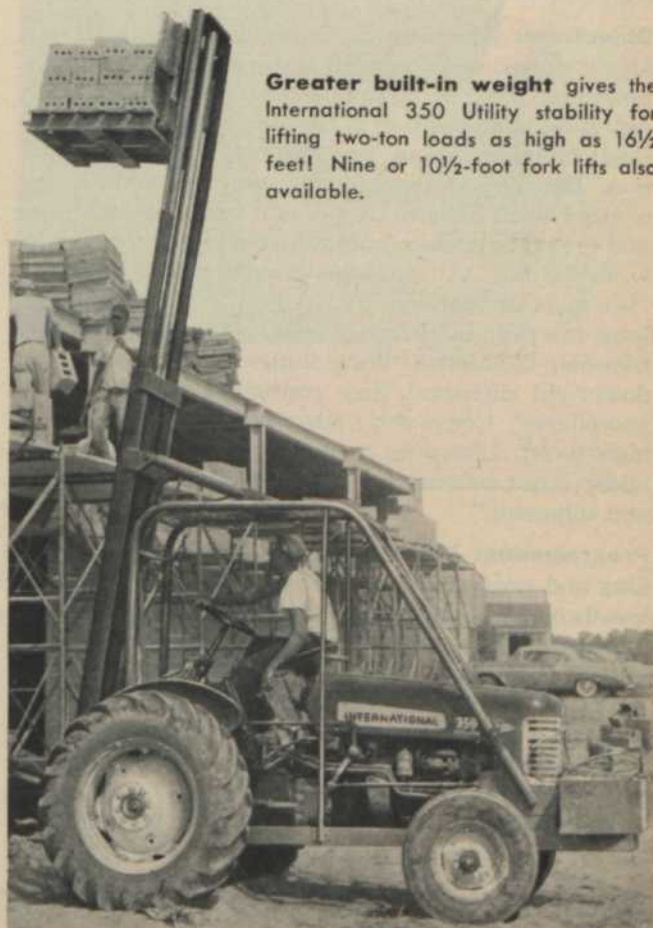


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FOREIGN AID

continued from page 41

part of the military budget, the magnitude of the foreign aid problem shrinks enormously.

What is missing in much of our foreign aid activity is an appreciation of the differences between the problems that we face in different parts of the world.

This can be illustrated by examining our foreign aid programs within a given area, such as the Far East. What is appropriate in one country can be quite inappropriate in another.

In Korea, for example, our problem is almost entirely military. Korea is still in a state of suspended war. Her hopes rest upon the presence of American and other United Nations troops on her soil. Koreans feel that, as long as these troops remain there, Korea will not be abandoned to the

communists should the latter decide to move again.

Without substantial economic aid for a long time to come it will not be possible for Korea to establish anything approaching a self-supporting civilian economy.

As long as it is our policy to maintain the present line of defense in the Pacific, the objective of our foreign policy in Korea is clear. Foreign aid, military and economic, is the key here.

In Formosa our intention from the start has been to prevent the island from going communist. This has been accomplished.

As long as we intend to hold the present line of defense in the Pacific it is also necessary that the military defense of Formosa be assured. But since 1950 we have gone a long way in providing aid for other purposes. Whether we should be spending so much there, relative to other areas, is debatable. Economically, Formo-

sa is relatively prosperous. The total volume of industrial production is 70 per cent higher than the highest level that was reached under Japanese rule. If Formosa did not have to maintain so large a military establishment its economy could stand on its own feet.

In the Philippines, because of our unique relationship to that nation, whatever we do, or fail to do, there is maximized in importance throughout Asia.

Although the Filipinos are disposed to spend little of their own budget for defense, they are willing to provide military manpower if the United States will provide funds and equipment.

The natural wealth of the Philippines is great, but the people don't seem to be able to exploit it. In fact, top managerial skill is one of the country's most serious shortages. Here is an area where the United States can make a lasting contribu-

BUSINESSMEN REPORT ON FOREIGN AID

The Chamber of Commerce of the United States made a special survey of 250 of its member companies with operations overseas. Replies came back from 500 businessmen in 56 foreign countries. Here's what they say about the U. S. Mutual Security Program:

Objectives: American businessmen overseas show a higher degree of knowledge and understanding of the program's purposes than businessmen at home. They expressed no opposition to the objectives; instead criticized faulty planning, programming and administration. Foreign assistance should, they say, be fully recognized as an integral part of our diplomatic relations and should be made a more valuable tool of our over-all foreign policy. A composite of many replies suggests: "We must use patience and skill. . . . The U. S. has a long way to go in learning how to help backward countries help themselves. Some things that we would term downright dishonest they consider normal business procedures. Conversely, our methods of working at high speed, according to contract specifications and under strict accounting, they consider almost brutal and inhuman."

Programming: Most common complaint—"overplanning and programming, and not enough effective follow-through . . . scores of projects are surveyed by administrative field forces, voluminous reports are submitted, but action, if any, is too long delayed."

The U. S. businessmen say much of the technical assistance and actual execution for construction work would be more efficiently handled through private consulting firms and private contractors.

They suggest: realistic planning, aid tailored to a

country's need and ability to use it; development of sound, realistic goals; fixing of responsibility; sticking to a job and completing it; maintaining an open mind and sincere attitude of helpfulness; arranging for skilled management and operation for construction facilities until the country's nationals can take over; frequent and critical examinations of the program; expansion of private capital investment; expanded international trade.

Achievement: *In Asia:* U. S. military assistance helped new governments of Vietnam and Laos survive, helped Korea and Formosa resist communist pressure, and has helped strengthen Pakistan, but had adverse effect on U. S. relations with India. In some countries, politicians and generals used U. S. military assistance as an instrument of personal power, businessmen say.

In the Near East: Good results in Iran, the first line of defense for allied powers; not so good in Syria where "people are beginning to accept communism . . . to spite the British and French." Iraq, Libya, and Lebanon have benefited much from technical assistance, especially in agriculture.

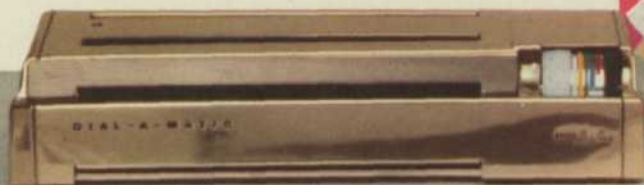
In Africa: Few reports, except from Liberia and the Gold Coast (Ghana) where aid is said to have enhanced already good relations.

In Europe: Economic assistance is essentially over, but "had the U. S. not embarked on a foreign aid program which began with the Marshall Plan . . . Europe would be communist-dominated today," and "without NATO, free Europe would be in a woeful state."

In Latin America: Technical assistance is contributing to increased productivity and economic well-being.

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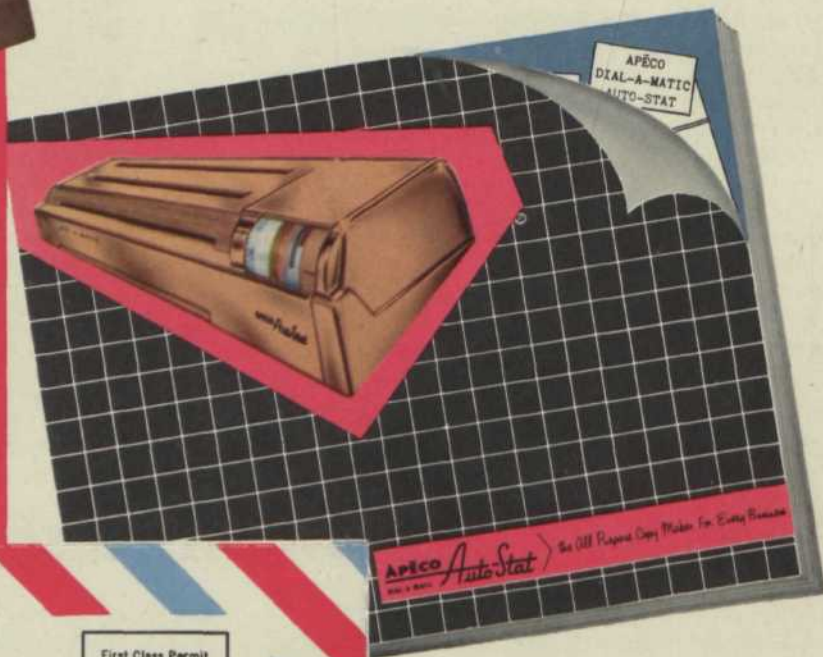
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FOREIGN AID

continued

tion. On the capital investment side, there are serious obstacles, largely of the Filipinos' own making. Their tax system favors real estate, with the result that capital stays invested in land in preference to taking risks in industry.

The Philippines would undoubtedly welcome a great deal of aid from the United States. Because of our large military aid programs in Korea and Formosa, the level of aid that we give to the Philippines is a touchy question that needs to be examined at the highest levels.

Japan is probably the area most challenging to United States foreign policy. If she were to desert the free world our position in the Pacific would become practically untenable.

The islands lack resources and are overpopulated. Japan's existence depends upon her ability to sell manufactured goods to other countries to pay for the raw materials which she has to have.

At present Japan is relatively prosperous.

Fundamentally, however, the economy is in a precarious position. Economic recession elsewhere in the world would quickly be communicated to Japan. Similarly, action by other countries against the importation of Japanese merchandise could wreck her.

For these reasons, direct aid is not as important to our policy in Japan as elsewhere.

Most of the \$3 million being spent there is to help organize Japanese-American productivity teams to improve the efficiency of Japanese industry. Our military establishment also provides jobs for many Japanese. However, the assistance that Japan wants, and needs, is access to raw materials and world markets.

Basically, the Japanese people are friendly to the United States. As victors in the war, we did not pillage and plunder, but helped them when they needed it most. This they remember.

Superimposed upon this floor of good will, however, is a coating of anti-Americanism which is partly of our own making. Intelligence and imagination on our part can eradicate this feeling. Obtuseness, however, could lead to disaster.

The Japanese have cooperated well in curtailing trade with the communist bloc. However, when they see some of the countries of Western Europe trading with Red China they wonder why they should

continue to cooperate—a feeling that is aggravated by the prohibitions against Japanese goods that these same countries are imposing.

At the same time, they smart under the criticism that they are not spending enough for military preparedness—notwithstanding the fact that only a decade ago the United States insisted that they write into their constitution a prohibition against rearmament.

Expansion of our foreign aid program in Japan is not the answer to the problem. In fact, if we were to increase our aid there we might actually do as much harm as good.

What is needed is imaginative thinking—far more imaginative than we have shown under our present trade policy—to evolve means whereby the western world would, in fact, absorb a larger quantity of Japanese goods. The Japanese would like to do the thing that we can best afford to see them do—diversify their exports more widely.

In Thailand, the people are prosperous. They are well-fed and produce a sizable surplus of rice. They do not have great aptitude for industry and they are fervent in their love of independence, which they have never lost. There is some danger that if we encourage them to industrialize, the Thai people might, on the one hand, become less happy and, on the other, become a tastier morsel for aggression-minded dictators.

In India nationalism is intense. Whatever we do there must be done in such a way as to avoid giving any impression that we are trying to tell them what to do. As long as India does not line up with the communist bloc, but maintains her own brand of democracy, we had better be thankful.

To try to improve the lot of the Indians via direct economic aid would be a most difficult undertaking.

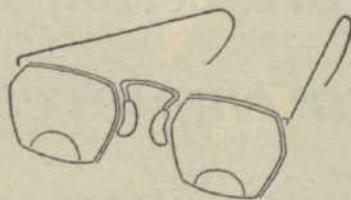
But, to stand ready to assist India by way of investments, with no strings attached, while recognizing the right of Indians to pursue their own way of life, might be the most important thing that we can do there. In any event, most of the foreign aid of the kind being given to Korea and Formosa would be out of place in India.

Some major difficulties

The United States has been intimately involved in world affairs for a relatively short time.

We should not be ashamed of what we have done internationally. We have progressed remarkably in 15

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FOREIGN AID

continued

years. What we need now are the skills in foreign relations that normally come only after generations of experience. Foreign aid is a potent instrument but it must be used carefully and with discrimination. Still, examination of our aid programs in the field raises certain fundamental questions. Until they are answered, other questions as to details seem minor.

1. Are we trying to do too much, too quickly?

As the report of the Fairless Committee points out, more than 2,000 foreign aid projects are under way at present. It is doubtful whether there are enough people in the United States who know enough about the countries concerned to administer so many projects effectively.

Instead of deciding upon the dollar volume of foreign aid and then trying to get as many good people as possible to man the posts needed to



administer that size program, it might be better first to ascertain the number of qualified people available and to adjust the aid programs accordingly.

Even with excellent administrators, it is probable that a small number of larger projects in a foreign country would be more effective than a large number of smaller projects. When the number of competent people available is limited this observation becomes even more important.

2. The number of Americans in the field who really understand the problems of the countries in which they operate is limited.

It is almost impossible to administer a foreign aid program effectively without an understanding of the people of the country where we are operating, of its history, its culture, and its language.

Our top-ranking people in the field appear to be well-qualified except

possibly for the linguistic requirement. But, in the down-the-line jobs we need better qualified people.

This is not to criticize the individuals who occupy these posts because, for the most part, they are sincere, hard-working public servants. The purpose of the observation is to urge the establishment of training programs throughout the next decade to train the number of people that are needed.

3. Our representatives in the field tend to keep their sights too low.

Unless those who are administering foreign aid programs are fully aware of what the United States is trying to do, it is almost inevitable that paper pushing will take the place of analytical thinking.

There is too much emphasis upon "how much?" and "how quickly?" and far too little upon the "how?" and the "why?"

The meeting of deadlines for the completion of individual projects is less important than a continuing, searching, analytical review of the effectiveness of the aid program, as a whole, in a given country.

4. In some countries our personnel is being rotated too rapidly.

In a hardship post, such as Korea, the tour of duty of American personnel is approximately 18 months. It takes much longer than this to learn the day-to-day aspects of one's job, not to mention learning something about the country's history, culture and language.

Rapid rotation makes it difficult to administer our programs effectively. Sometimes, in case of disagreement between the national of the country receiving aid and the American responsible for administering it, the former has only to wait a few months until an inexperienced American replacement appears.

Unless a substantial number of qualified Americans stay on the job and see the programs through, we are going to be plagued by indecision and inefficiency.

5. There is unnecessary delay in making funds available to our field staffs.

At present it takes more than six months to allocate funds to our people in the field, even after Congress has appropriated the money.

On top of this, Congress requires that all but 20 per cent of the funds appropriated in any fiscal year must be spent in the first 10 months of the year.

This leaves a period of four months, or less, in which to spend the funds for an entire fiscal year. It would be difficult to evolve a sys-



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FOREIGN AID

continued

tem better calculated to encourage haste and waste.

6. There is too much centralization of detailed decision-making in Washington.

Even after funds have been allocated, most contracts must be approved in Washington.

This has the double disadvantage of delaying actual decision-making and of discouraging competent people from wanting to remain in the field.

With competent people in the field there would seem to be little reason why, within broad limits, the field administrators should not be allowed considerable leeway in the making of decisions as to detail.

7. Nationals of the countries receiving aid should play a greater role in initial planning.

Although in some countries the nationals are brought in to consult with Americans during the early stages of an aid program, this is not always the case.

As far as feasible this should be done in order that aid will be cooperative. It helps avoid the impression that the United States is trying to tell other countries what to do.

8. The American public is inadequately informed regarding conditions in the countries receiving aid.

We have an extensive program for disseminating information abroad regarding the United States.

The United States Information Agency is not permitted, under the law, to disseminate information in the United States.

It is important that Americans know more about the problems of the countries where they are giving aid. In some instances the public is actually misinformed regarding the nature of the problem.

There would seem to be room for some private organization—some foundation perhaps—to enter this field on a purely educational basis. A propaganda machine and program would be dangerous.

Since World War II we have demonstrated that we can produce, and share, great quantities of wealth. What we have not demonstrated is realization that, in granting foreign aid, the most important question is not its volume. A smaller amount of aid, given in a way that cultivates cooperation and good will, is more effective than a larger amount administered mechanically. **END**

CITIES LEAD

WAY IN

SCIENCE DRIVE

HOMETOWN effort and the ideas and drive of individuals and private groups are making progress toward solving one of America's toughest problems—raising the supply of scientific knowledge and increasing the numbers of scientists and engineers.

Nearly a score of communities and states have outstanding programs under way to interest young people in following scientific careers and to provide facilities for scientific training.

Bay City, Mich., has a popular and successful program of teaching general science from kindergarten through the eighth grade; Albuquerque, N. M., uses an advisory committee of 40 from military, industry and business to help the program sparked by the city's director of secondary education; Hagerstown, Md., Pittsburgh and the state of Alabama are developing pioneer educational television programs emphasizing science.

Perhaps the most comprehensive effort to build enthusiasm for science is taking place in Oklahoma, where industrial, business and professional leaders created and support the Frontiers of Science Foundation. The Foundation spends about \$125,000 a year on activities which Dr. Howard L. Bevis, chairman of President Eisenhower's National Committee for the Development of Scientists and Engineers, describes as a program having wide scope and effectiveness.

James E. Webb, president of the Foundation, lists three basic aims in the program's structure:

Science information: to promote broad understanding throughout the state of science and technology, and the opportunities that come through the full utilization of science in future development.

Science education: to prepare young men and women to take fullest advantage of their opportunities and to discharge their responsibilities in this new age of science, and to assure them facilities for scientific education at all levels.

Science installations: to bring research laboratories to Oklahoma; to encourage the growth of industries based on science, and to promote basic research in the universities.

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dition next month will help sponsor a \$20 million exposition in Oklahoma City to celebrate the state's semicentennial, with all activities and displays dedicated to the "new frontiers of science and technology." The exposition will run from June 14 through July 7. It will be highlighted on June 17 by a one-day symposium attended by top industrial scientists from the United States and Europe. The American Institute of Physics and the National Science Foundation are sponsoring the symposium.

Oklahomans expect 1.5 million people to see their displays from major manufacturers and scientific laboratories, their reconstructed oil Boomtown, the exhibits from 20 foreign nations, their model exhibit of the launching of the earth satellite, and all the fun and paraphernalia that go with a show set out on 350 acres of fairgrounds.

Since it was created in the fall of 1955, the Frontiers of Science Foundation has been active in promoting other displays. In the area of Science Information, it showed 350,000 Oklahomans in eight days the U. S. Technical Exhibit on the Peaceful Uses of Atomic Energy which had been assembled for the International Atomic Science Conference in Switzerland. It cooperated with the Oklahoma City Chamber of Commerce and the National Air Foundation to bring the 1956 National Aircraft Show to Oklahoma City.

Oklahoma's educational program has received national attention, and Foundation officials note that secondary school principals throughout the state report increased enrollments in science and mathematics courses. The Foundation helped sponsor a state-wide test of more than 60,000 high school students to help identify young people with ability, and to evaluate the results of the high school training; sponsored the 1956 National Science Fair, and underwrote a bold experiment by the Oklahoma City Public Schools in teaching, through television, courses in mathematics and physics to organized classes of high school students within a 90-mile radius of Oklahoma City.

"The Foundation's funds," Mr. Webb says, "are not sufficient to finance large projects directly. Therefore, they have been used in the type of project where a grant would serve as a catalytic agent to bring substantially larger resources into operation in an effective manner." **END**

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"You might think our partnership agreement and the buy-and-sell agreement our lawyers had drawn up when we started were enough. They weren't. Until yesterday, there was no way of naming the price and no way of financing the sale. And we knew the law demands liquidation of *any* partnership when one partner passes away. It was a real worry.

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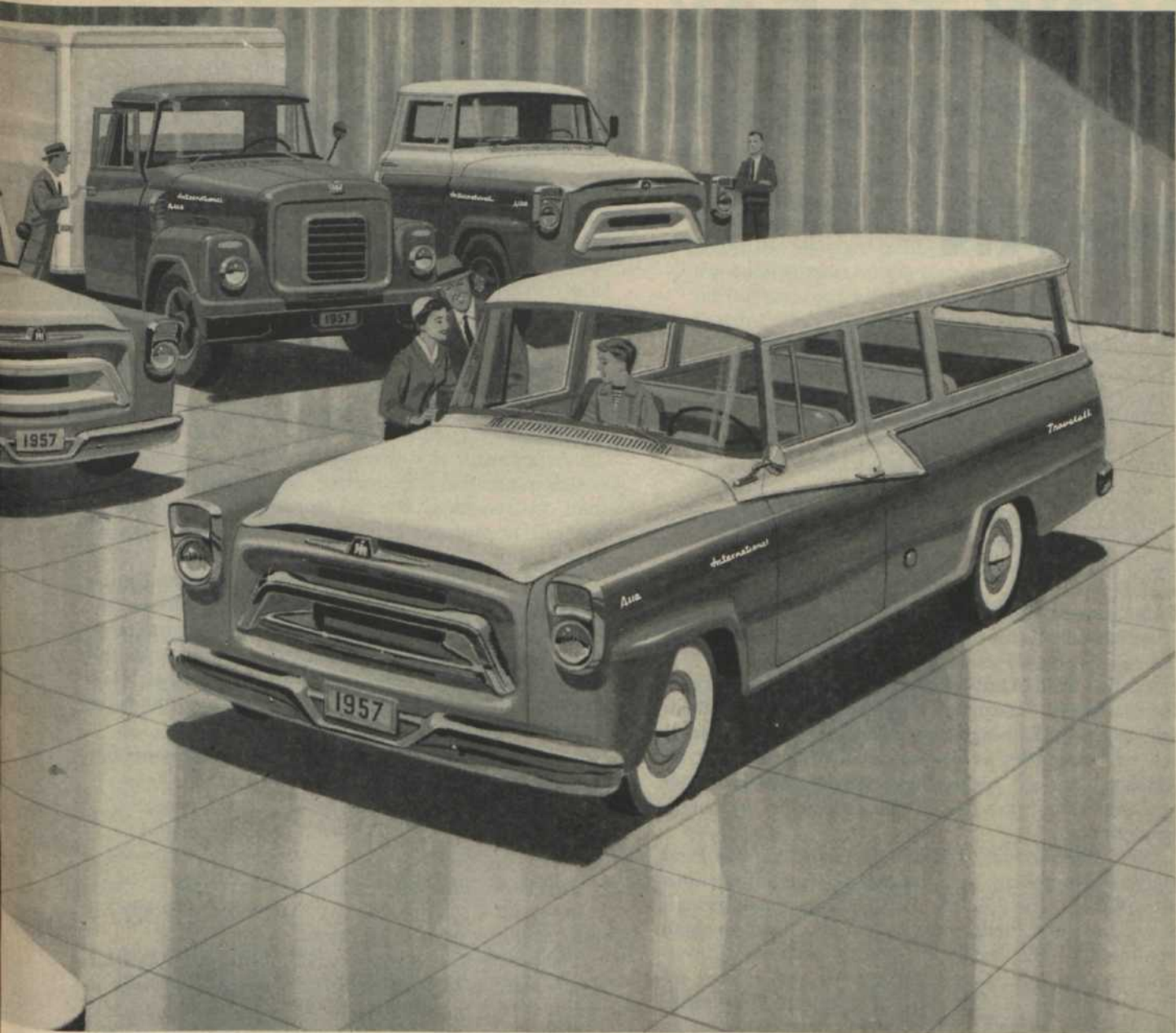
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HOW TO SAY WHAT YOU MEAN

Here's how to overcome
the 10 most common bars
to clear and effective
business communication

THE CAPACITY for clear and effective communication of orders and ideas is gaining recognition as one of the most valuable executive talents.

At De Paul University's Institute of Industrial Psychology in Chicago an unusual semester-long business course is helping dozens of local businessmen to new understanding of the communication process. In addition, several firms have staged special brief seminars covering parts of the course for top management men.

Conducted by Dr. William V. Haney, a De Paul assistant professor and industrial communications consultant to the John A. Patton Management Engineers, Inc., of Chicago, the course is a down-to-earth treatment of the theory of general semantics developed by the late Alfred Korzybski, and refined by the late Irving J. Lee of Northwestern University, Dr. Haney's mentor. The course's purpose is to go behind the communication process and consider the patterns of thought that hamper that process. To this end it concentrates on the ten semantic barriers which Dr. Haney has found most common and most costly to business. He calls them:

By-passing	Blindness
Allness	Thalamic reaction
Guess proneness	Misuse of small talk
Hardening of the categories	Misuse of "Is"
Either/Or thinking	Misuse of "And"

Executives enrolled in the course provide most of the cases for study from their own experience.

By-passing

This is the tendency to ignore the fact that the same words can mean different things to different persons.

A student, merchandising manager of a firm making TV sets, provided an excellent example for class discussion. He had summoned his distributors to Chicago and, to help explain his new models to them, had

ordered a slide film from a visual aids firm. A couple of weeks before the meeting he decided to change one frame of the film.

"What I want," he told the visual aids technician over the phone, "is a picture of a stationary core with three or four small dots circling around it. Do you get what I mean?"

"Sure," the technician replied. "Can't promise delivery till the day before your meeting, though."

When the film was delivered, the merchandising manager stared at the changed frame in horror. It showed the dots moving in independent circles, each in a corner of the frame. He had wanted the dots to move concentrically around the core. Because 200 copies of the film had been made for the dealers to take back to their salesmen, the cost of correcting this misunderstanding was \$1,250.

Through the class discussion Dr. Haney leads his students to recognize how such a by-pass happens. There is danger of it whenever one man uses words to describe something to another. Most words have more than one meaning. Several words strung together in a phrase or sentence may have a large number of possible meanings.

Next Dr. Haney demonstrates how a by-pass can be avoided. All that's necessary is that the hearer rephrase the description in different words. If the technician had said "you want the core stationary in the middle of the frame and the dots chasing their tails each off in a corner," the merchandising manager would have saved \$1,250.

Handy formula: Don't look for meanings in words but in the person who is using them.

Allness

This is the tendency to think you have said all there is to say on a subject when you've really said only all you can think of at the moment.

The president of a clock-making firm got an idea for a new model. Instead of hiring a designer to work it out in detail, he called in the production manager.

"Now, Joe," he said, "I'm going to tell you exactly





what I have in mind, and I want you to take it from there."

He described the new clock—its dimensions, the size and shape of the hands and numerals, the materials and color of the case and numerous other details. But when the production manager delivered the model a few days later, the boss exploded. The materials and the shading of the face, the way it fitted into the case and a dozen other details were wrong. Though he had mentioned none of these, he berated the production manager for half an hour about them.

In the example the president had had a clear idea of what he wanted and had assumed that he could cover every detail in words. He felt that he had covered every detail.

To arm his students against this tendency Dr. Haney asks one of them to describe a pencil which he holds in his hand. When the student has covered its color, size, shape, brand and everything else he can think of, Dr. Haney points out that he hasn't mentioned the precise thickness of the lead, the molecular structure of the lead and its casing, the atomic structure of the molecules.

The point is that no verbal description of an object can make it possible for a hearer or reader to reproduce that object exactly, because no description can cover every detail. Words are only labels for a few selected details of the speaker's vision of that thing.

To avoid the allness trap, keep in mind this process of abstracting. When hearing or reading someone else's description of an object, event or other slice of reality, or when giving such a description of your own, remember that many particulars are left out.

Handy formula: Mentally attach to every description a label reading "ETC."

Guess proneness

This is the tendency to mistake subjective inference for objective facts.

A man who had worked for several years as an inside order taker asked his sales manager for a chance at outside selling. The manager promised him the next

opening. Shortly afterward it became known that one of the outside salesmen was planning to retire in a few months. Soon after he learned this, the inside man observed that the sales manager was interviewing young job applicants. He reminded the manager of his request and again received assurance that he would get it.

Then one morning the inside man saw the sales manager, the man who was planning to retire and one of the young applicants in conference. When he overheard the manager telling the applicant to accompany the outside man on his rounds, the inside man put on his hat and coat, stalked out and submitted his resignation by mail. He never went back.

Dr. Haney points out that the inside man's reading of the facts at his disposal was not unreasonable. From what he had observed it did look as if he were getting a brush-off. His mistake was in acting on this inference as if it were established fact. For it was only an inference, and an inference that contradicted the chief bit of factual evidence he had—that is, the sales manager's promise.

What he didn't know was that another outside man was planning to leave sooner than the one retiring, and this earlier opportunity was being planned for him.

Obviously, it is sometimes necessary to act on a conclusion drawn from an incomplete collection of facts. This means taking a risk. Dr. Haney's point is not that such risks should be or can be avoided but that they should be taken only when necessary and when the contingent loss is less than the cost of collecting more facts with which to reduce the risk.

Handy formula: Never take an uncalculated risk.

Hardening of the categories

This is the tendency to deal with facts, and especially with human beings, in terms of the similarities among them at the neglect of the differences among them.

The head of a small advertising agency decided to go after the account of a certain bakery chain and assigned his best account executive to the project. In



HOW TO SAY WHAT YOU MEAN

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the course of a staff meeting called to work out a presentation, one of the copy writers revealed that he was a college classmate of the bakery president. He offered to do all he could to smooth the way for the account executive.

The agency head said he was sure the account executive, who was present at the meeting, would find the writer's help most useful.

After several weeks, the account executive reported that he couldn't make any headway with the bakery president. The agency head accepted the verdict with disappointment and asked, by the way, whether the copy writer had been any help.

"Good lord," said the account executive, "you were kidding about that, weren't you?"

"What do you mean, kidding?"



"Why, you know how those creative guys are. You wouldn't want one of them to meet a customer. They wouldn't know how to act."

Dr. Haney demonstrates that this bit of prejudice has a remote relation to facts. It is obviously true that advertising account executives, who specialize in meeting the customer, are generally more adept in this function than the creative guys—copy writers, artists and such who are not often required to exercise it. But this is far from proof that all creative guys are no good at it. It is even conceivable that some creative guys might be better at it than some account executives.

The account executive suffered, says Dr. Haney, from an acute case of hardened category.

In helping his students prepare themselves to recognize and surmount this barrier Dr. Haney reintroduces the example of the pencil, this time in the form of a tray of pencils of different sizes, shapes, colors and brands. He asks his students to note both the similarities among them and the differences between them.

The upshot is two lists in which the differences far outnumber the similarities.

If this is true of such simple standardized objects as pencils, Dr. Haney goes on, it must also be true of such complex entities as human beings. Though human beings can for some purposes be considered in groups—bird watchers, account executives, polo players, saxophonists—the simple qualification for membership in such a group is only one of the myriad facets of each individual in the group.

Handy formula: Remember that no two objects are identical and that every human being differs from every other human being in an uncountable number of ways.

Either/Or thinking

This is the tendency to think in terms of either black or white and to forget the shades of gray in between.

For several years the comptroller of a big firm, looking forward to his own retirement, had been grooming a man we'll call Smith as his successor. Smith was aware of this plan and worked so successfully toward the goal that he was also being considered as a candidate to step eventually from the comptrollership to the presidency. Then one day he went completely to pieces.

The comptroller asked him sympathetically what was the matter.

"I've just found out," Smith said after some coaxing, "that I've got diabetes."

Examination by a specialist showed that he had only a mild case and that with insulin shots and reasonable care in his diet he would have no trouble. This enabled him to get back to work with much of his old efficiency, but he insisted that he be dropped from consideration as the comptroller's successor.

"Up to now," he explained, "I've hardly been sick a day in my life. Now I'll never again be able to think of myself as healthy."

Smith destroyed his career because he saw health as an absolute. That is, he saw himself as formerly absolutely healthy and now absolutely unhealthy. He





...engineered in their "language"

Currently under installation in South Korea is a project which splendidly illustrates America's ability to help other free peoples help themselves.

When our armed forces entered that country in 1950, they found a most primitive, inefficient telephone system. With war ended, and the nation's expressed desire to stay free and self-sufficient, a modern method of communication became imperative.

Hence, from the United States' Korean Civil Assistance Command, the order to give to South Korea Stromberg-Carlson's modern telephone service. This will become a reality in the near future—when the country will be linked, from Seoul to Pusan, with central offices and inter-connecting lines covering this land's varied and difficult terrain.

There'll be thousands of telephones—hundreds of switchboards—miles of poles and wires. The system is manually operated, since dialing is unfamiliar to the population.

And wherever rugged mountains and impassable streams interfere, there will be wire-line *Carrier*. By this electronic magic, dozens of separate electrical circuits are impressed on wire, so that many parties can converse at the same time without the expense or trouble of stringing countless extra lines.

Any company would be proud to have a part in such a project. We're especially gratified to have been awarded this U. S. Army Signal Corps contract. Such jobs, done with precision, are the sort of challenges on which we have grown. "There is nothing finer than a Stromberg-Carlson!"®



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had completely obliterated from his mind the possibility of a middle ground.

This tragic mistake, says Dr. Haney, was the result of imputing to a pair of contraries the quality of a contradiction. The sentence: "You either drank coffee this morning or you did not" involves contradictory statements, and only one of them can be true. If you had even a sip of coffee, you drank coffee. But the statement: "You're either a coffee fiend or a complete abstainer from coffee" is quite different. Between the two contraries lie many degrees of coffee drinking—an occasional sip, a cup a day, two with breakfast but none later, and so on.

Handy formula: Wherever you find contraries, examine the middle ground between them, too.

Blinderedness

This awkward word describes the tendency to see one and only one way of doing a thing, just as a horse wearing blinders can look only straight ahead.

The drying room at a tannery was so constructed that a fan built into one wall blew air across the stacks of hides, and the air passed on out of the room through an opening in the opposite wall. In installing new equipment, the plant manager wanted to reverse the flow of air. To accomplish this he had the fan rebuilt into the former exhaust opening. The cost was approximately \$3,000.

Dr. Haney asks his students to consider whether this expenditure was necessary. Few immediately see the point. Nearly everyone thinks of a fan as in instrument for *blowing* air.

This blinder prevents the wearer from considering the fact that a fan can *suck* just as efficiently as it blows. Merely by reversing the direction of his fan or by altering the pitch of its blades, the plant manager could have saved nearly all the expenditure he had made on the alteration.

The way to avoid blinders is to keep in mind the possibility of alternatives. Anything obvious should be to some extent suspect. For obviousness exists not in things outside ourselves but in our way of thinking and feeling about such things. A blinder is essentially a rigid habit of thinking or feeling.

Handy formula: Whenever you see only one way of doing something, that is the time to look hardest for another way.

Thalamic reaction

This is the tendency to react too fast to certain stimuli so that only the subbrain (thalamus) registers those stimuli and the upper brain (cortex), where we do our thinking, never gets a chance to consider them.

Ray Edwards, an engineer in charge of conveyor line equipment for a firm manufacturing appliances, found it necessary to adjust the speed of one of the assembly lines.

He wanted to have the sales engineers of the firm from which the conveyor equipment had been bought make the adjustment during working hours. Otherwise it would have to be done after hours and at overtime pay by his own maintenance men, and his overtime budget already had been strained.

He knew, however, that Fred Peterson, the production line manager, was under considerable pressure to keep his output high and that shutting down the line during working hours would not sit well with him. He phoned Peterson to discuss alternative plans.

EDWARDS: "Fred, we're going to have to make an adjustment on that line, you know."

PETERSON: "Yeah, I know."

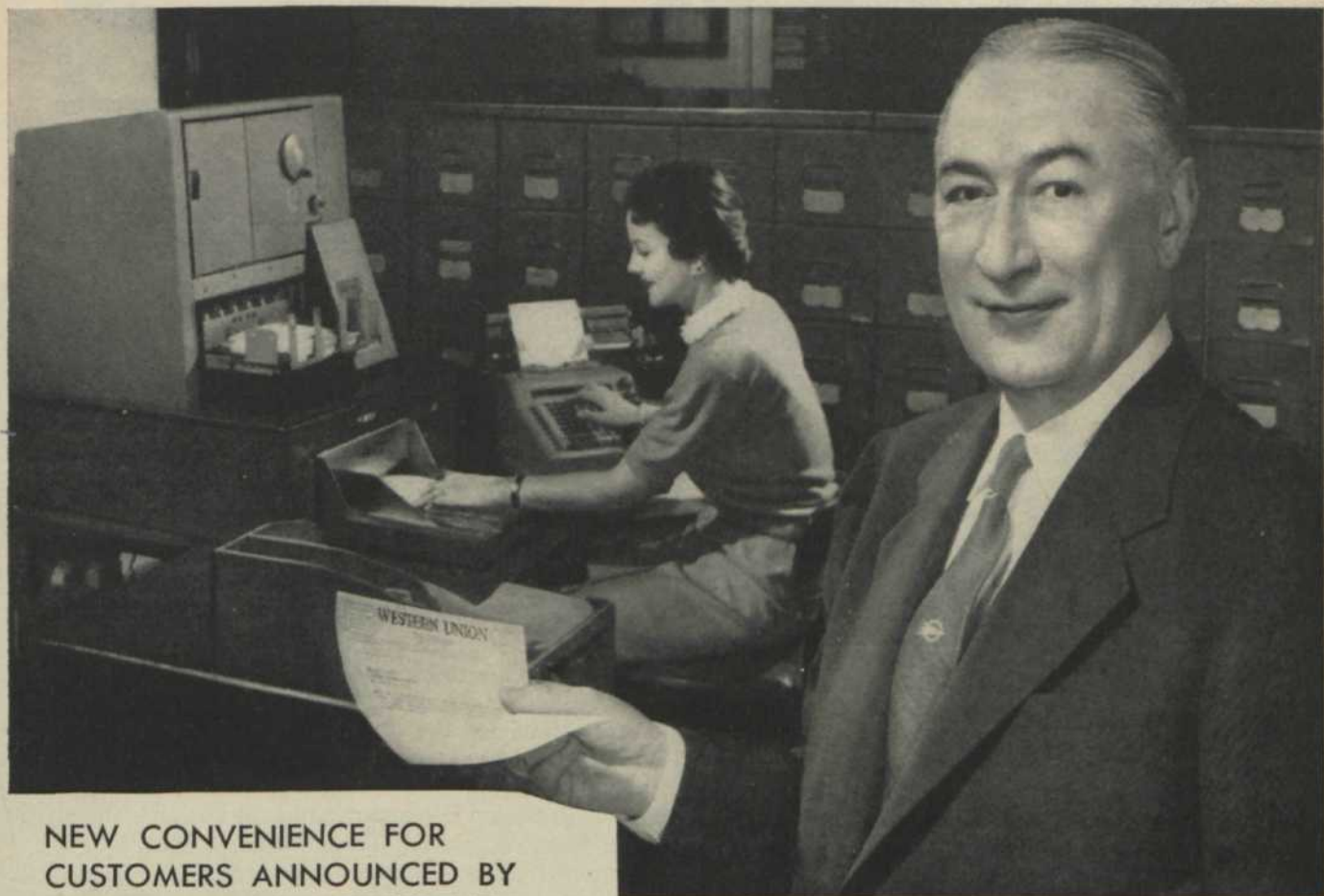
EDWARDS: "We could have the maintenance men do the job tonight. Frankly, I'm opposed to that. Their time would be charged to me, and I'm up to the hilt in overtime charges now. So I thought..."

Peterson slammed down the receiver, charged into the office of the vice president in charge of manufacturing and started a row which ultimately consumed several thousand dollars worth of executive time and



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Mr. W. P. Marshall, President, The Western Union Telegraph Co.

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postponed the adjustment in the conveyor line for three days. His complaint was that Edwards was trying to force him to shut down the production line at a time when he needed every bit of production he could get.

It is easy, Dr. Haney points out, to see what happened in this case. Peterson didn't take time to think.

Someone's failure to take time to think is one of the commonest causes of communication breakdowns. In his classes Dr. Haney describes the two basic ways of reacting to situations and the physiological difference between them.

At the base of the skull lies the thalamus, a sort of primitive subbrain. Its function is to channel sensory impressions to the cortex and return signals for action from the cortex to the muscles. In the cortex the sen-



sory impressions are sorted out and correlated with memories stored there and various courses of action in response to the impressions are weighted against each other. This takes time. In an emergency the thalamus can, in effect, short circuit the cortex.

If you are driving a car, for instance, and another car shoots unexpectedly out of a side road, the thalamus can order immediate slamming of the brakes and turning of the steering wheel. This reaction is appropriate only in an emergency.

Unfortunately, all of us occasionally see emergencies where they don't exist. This is especially likely to happen when we are under pressure. By being aware of the danger of reacting in this way in such situations, you can sometimes guard yourself against it. But knowledge of this danger can best be used by those attempting to communicate with others under heavy pressure.

In the example given, Edwards knew that Peterson was under pressure. This should have warned him that Peterson might react without thinking. He could have forestalled the reaction he got by prefacing his remarks

with a suggestion to the effect "I know you have to get out production and we can't shut down during working hours if we can help it."

Handy formula: Grant that you, yourself, can react without thinking in some situations and you will find it easier to allow for such reactions in others.

Misuse of small talk

This is the tendency to mistake attempts to be merely pleasant and friendly with attempts to convey information.

At a dinner party, an eager young salesman found himself in his best form. His anecdotes went over big, and his host, hostess and the other guests all gave him flattering attention. One of the other guests, an older man we'll call Williams, seemed especially taken with him and said something about hoping to see more of him. Later, the salesman learned that Williams was a vice president of a company which had never been one of his firm's customers but which was potentially a big one.

Next day the salesman enthusiastically informed his boss that he had cracked this company, asked and readily received permission to concentrate on it. He spent two weeks in preparation, then called on Williams at his office. He met instant rebuff. The company had been using the same supplier for many years and was on the best of terms with it. Williams was deeply offended at the suggestion of a change.

In the practice of doing business at the lunch table and the golf course, Dr. Haney points out, there are many pitfalls for the unwary. Blending small talk with serious discussion blurs the all-important distinction between their functions. The purpose of serious discussion is communication of sharply defined ideas, decisions, orders. The purpose of small talk is communication of necessarily vague feelings of friendliness, mutual acceptance, camaraderie.

Handy formula: Remember that although good will is an important asset, it is salable only under very special conditions.

Misuse of "Is"

This is the tendency to make the false assumption that, when a noun is linked to an adjective by the verb "is," the quality described by the adjective exists in the entity denoted by the noun.

A young personnel interviewer and an older foreman for a manufacturing firm got into a violent argument over an applicant for a job as punch-press operator whom they had interviewed separately. With the personnel man the applicant had been tongue-tied, had stumbled over answers to questions, and had scored low on a brief written test. To the foreman he had clearly described his previous work on punch presses and had demonstrated a good understanding of how to run such a machine.

"I'm afraid he's pretty stupid," was the personnel man's verdict when they met to discuss the applicant.

"Why, no," the foreman shot back. "He's a very bright fellow."

This disagreement led to an angry dispute.

In this case Dr. Haney asks his class to note the devastating effect of the word "is." By using the

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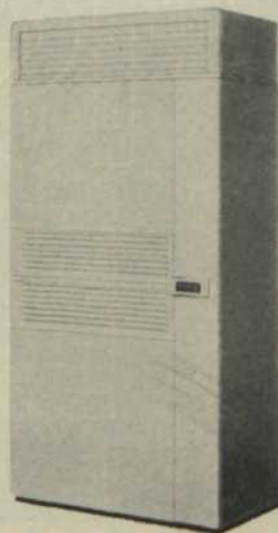
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seemingly harmless little word "is," both the interviewer and the foreman expressed their judgments as solid facts which ought to be obvious to anyone. Without the harsh challenge thus implied, they could have discussed the matter reasonably and exchanged evidence for their opinions.

Many violent and fruitless arguments stem from this use of "is." Statements such as "this picture is beautiful" or "the outlook is good" or "this steak is overcooked" are not statements about the picture, the outlook or the steak but about the speaker's reaction to them. Even the statement "this apple is red" is a statement about an internal reaction. That is, the redness is not in the apple but in the way the human eye and brain react to the wave lengths of light reflected by the apple.

Handy formula: When you hear someone use "is" in this way, mentally translate it "seems to me to be."

Misuse of "And"

This is the tendency to confuse the word's simple, arithmetic meaning (two and two equals four) with its far more complex meanings.

When an energetic new president took office in a medium-sized corporation, he soon found that Jones, the sales manager, was one of his best executives. Because Jones was doing an excellent job with the sales department, the president didn't want to take him away from it. But the firm badly needed new ideas, new products and new directions in which to develop, and the president felt that Jones was the best man to help him in seeking them. Accordingly, he asked Jones whether he could handle both sales and a new division to be called special projects. Jones agreed that he could.

Six months later, bearing the resplendent title Vice President in Charge of Sales & Special Projects, Jones entered a hospital for a prolonged stay. He had suffered a complete breakdown.



Dr. Haney leads his class through a step-by-step study of how this tragic denouement came about. It was a result of failure at both ends of the communication process. In asking Jones to handle sales and special projects the company president assumed that he was asking him merely to add one additional chore to his duties. Jones understood the request in the same way. Both realized that he would be doing more work, but because of the simple meaning they assigned the word "and," neither grasped the full extent of the addition to his labors.

Naturally, Jones attempted to cut the amount of time and energy he devoted to the sales department, and being a good administrator he succeeded in delegating authority for many details. But since special projects included testing of new products, markets and sales methods, the sales department alone now required more of his attention than before. In addition he had to familiarize himself with several other divisions of the company in order to give at least preliminary consideration to suggestions for everything from changes in production schedules to new accounting practices. By the time of his breakdown he was averaging five hours sleep a night and daily slipping further behind in the work he assigned himself.

This, says Dr. Haney, is a spectacular example of the result of misusing "and." Less shattering cases are commonplace. What happens is that the added responsibility or activity does not remain in a separate compartment. Instead, it interacts in a complex way with all the factors in the work load to which it is added.

Handy formula: Remember that "and" is used not only as a handy substitute for the arithmetic plus sign but also in such phrases as man *and* wife where it implies a highly complicated relationship.—ROBERT FROMAN

REPRINTS of this article "How To Say What You Mean" may be obtained for 15 cents a copy or \$11.25 per 100 postpaid, from Nation's Business, 1615 H St. N.W., Washington 6, D. C. Please enclose remittance.

CUT STATEMENT AND POSTING TIME

Statement				
John Smith 1234 Broadway St. New York 10, New York				
Date	Description	Debit	Credit	Balance
10-1	10.00			10.00
10-2	20.00			30.00
10-3	30.00			60.00
10-4	40.00			100.00
10-5	50.00			150.00
10-6	60.00			210.00
10-7	70.00			280.00
10-8	80.00			360.00
10-9	90.00			450.00
10-10	100.00			550.00
10-11	110.00			660.00
10-12	120.00			780.00
10-13	130.00			910.00
10-14	140.00			1050.00
10-15	150.00			1200.00
10-16	160.00			1360.00
10-17	170.00			1530.00
10-18	180.00			1710.00
10-19	190.00			1900.00
10-20	200.00			2100.00
10-21	210.00			2310.00
10-22	220.00			2530.00
10-23	230.00			2760.00
10-24	240.00			3000.00
10-25	250.00			3250.00
10-26	260.00			3510.00
10-27	270.00			3780.00
10-28	280.00			4060.00
10-29	290.00			4350.00
10-30	300.00			4650.00
10-31	310.00			4960.00
10-32	320.00			5280.00
10-33	330.00			5610.00
10-34	340.00			5950.00
10-35	350.00			6300.00
10-36	360.00			6660.00
10-37	370.00			7030.00
10-38	380.00			7410.00
10-39	390.00			7800.00
10-40	400.00			8200.00
10-41	410.00			8610.00
10-42	420.00			9030.00
10-43	430.00			9460.00
10-44	440.00			9900.00
10-45	450.00			10350.00
10-46	460.00			10810.00
10-47	470.00			11280.00
10-48	480.00			11760.00
10-49	490.00			12250.00
10-50	500.00			12750.00
10-51	510.00			13260.00
10-52	520.00			13780.00
10-53	530.00			14310.00
10-54	540.00			14850.00
10-55	550.00			15400.00
10-56	560.00			15960.00
10-57	570.00			16530.00
10-58	580.00			17110.00
10-59	590.00			17700.00
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10-61	610.00			18910.00
10-62	620.00			19530.00
10-63	630.00			20160.00
10-64	640.00			20800.00
10-65	650.00			21450.00
10-66	660.00			22110.00
10-67	670.00			22780.00
10-68	680.00			23460.00
10-69	690.00			24150.00
10-70	700.00			24850.00
10-71	710.00			25560.00
10-72	720.00			26280.00
10-73	730.00			27010.00
10-74	740.00			27750.00
10-75	750.00			28500.00
10-76	760.00			29260.00
10-77	770.00			30030.00
10-78	780.00			30810.00
10-79	790.00			31600.00
10-80	800.00			32400.00
10-81	810.00			33210.00
10-82	820.00			34030.00
10-83	830.00			34860.00
10-84	840.00			35700.00
10-85	850.00			36550.00
10-86	860.00			37410.00
10-87	870.00			38280.00
10-88	880.00			39160.00
10-89	890.00			40050.00
10-90	900.00			40950.00
10-91	910.00			41860.00
10-92	920.00			42780.00
10-93	930.00			43710.00
10-94	940.00			44650.00
10-95	950.00			45600.00
10-96	960.00			46560.00
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THIS APPROACH SPEEDS PROBLEM SOLVING

Here are seven questions to ask yourself when solution to a difficulty eludes you

THE BUSINESS EXECUTIVE'S main reason for existence is to solve problems and make difficult decisions. The routine part of his job could often be handled by his assistant or his secretary. But the basic questions for which there seems to be no ready answer—those are the keys to success or failure.

Whenever a difficulty is too puzzling for the solution to appear at once, these seven questions may bring out the key factor and clarify the entire picture:

1. Is there really a problem?

Often, we start a day with a feeling that a certain problematical situation must be solved during the coming eight hours.

On many such days, we worry through hour after hour without finding an answer, then realize that five o'clock has come, no specific action has been taken, and yet nothing terrible has happened.

Sometimes we have merely been lucky: The deadline we had set ourselves was realistic; it should have

been met, and only good fortune has saved us from serious trouble.

At other times, this experience may indicate that we had overestimated the urgency of the situation. Deferring the solution did not lessen the need for it, but rather shortened the amount of time left before the real deadline arrived.

There are also a certain number of times when this outcome suddenly shows us that there never was a problem to solve. There was a situation. Perhaps it was a potential or possible problem. Undoubtedly it bore watching. But no action at all may have been precisely what was needed.

The worry over how you will keep production going if a new plant nearby hires away some of your skilled labor—

The certainty that a competitor's radically new product will run yours off the market and that you must develop something just like it—

These are examples of problems that may prove to have been ghosts without substance.

The neighboring plant may not be

able to offer pay rates nearly attractive enough to entice your workers to leave the seniority benefits they have with you.

The spectacular new competitive item may prove to be a dud and boomerang against all who go into it.

In either of these cases, the question "Is there really a problem?" would have brought forth the answer, "Maybe not. I'll just keep an eye on this situation and see how it shapes up."

These examples concern potential problems. They would require watchful waiting and perhaps precautionary advance planning. You may recall still other types of cases when what seemed to be a problem simply never existed. Misconceptions and misunderstandings often lead to such situations.

How many ulcers businessmen would save themselves if they occasionally took time out from worrying to be sure they had something to worry about!

2. Is this similar to problems faced before?

Every practicing lawyer keeps among his office records a form file—a collection of typical documents he has prepared for clients.

Whenever a new partnership agreement is needed or a client wants a will drawn up with certain unusual provisions, the lawyer goes to his form file for help. As each year of practice and experience passes, he is more and more likely to find there the answer to a new client's needs—however unique they may seem. For there is little that is new under the sun, and the man who draws on the past has a powerful ally at his side.

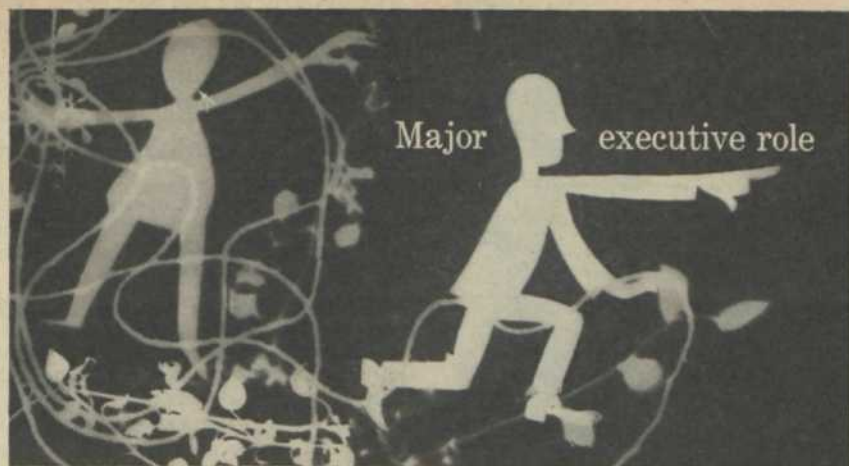
We should all have a mental form file to help solve our problems. Not only the successful solutions to past questions, but the mistakes as well should be resurrected when a similar situation has us stumped.

Merge the old and the new. If you will think about each of the business problems you now face, all will probably reveal similarities to previous ones. Instead of working your way through to an entirely new solution, recall what was done before. How well did it work? What improvement might have been made?

This approach is a short cut, a means of avoiding duplication of mental effort. It is not a license to stop looking for new and better ways of handling problems.

Alfred E. Perlman, president of the New York Central System, recently told me he adheres roughly to the policy that "After you've done a thing the same way for two years, look it over carefully. After five





years, look at it with suspicion. After 10 years, throw it away and start all over." This, obviously, is not meant with exact literalness. It is a starting mechanism.

The difference between learning from experience and falling into a rut is that the former means examining past occurrences afresh in the light of new facts, while the latter means clinging to those past occurrences and refusing to recognize that new facts exist.

3. Can I solve this problem alone?

I have often pondered over a difficult situation for an hour or a day or even longer before suddenly realizing that the solution simply did not lie solely within my power. Once the decision was made to call on someone else for a contributory effort, a knot that had seemed hopelessly tangled fell quickly apart.

If I had asked myself routinely, "Can I solve this problem alone?" I would have known at once what path to take.

There are, in turn, numerous secondary questions that can help you to find your way if the answer on this main point is negative—questions such as:

Who else has information that would be helpful in this problem?

Who else has authority that must be used in reaching a decision?

Who else has an interest in the outcome of this question?

Who will be affected by it?

Take the example of a customer's letter that comes to the sales manager asking for permission to return for credit a substantial quantity of merchandise. The customer was formerly a highly valued one whose business has been in trouble for the past year. His payments have been slow, his purchases have dropped. But there is real hope for a comeback.

The sales manager looks at the letter and shakes his head in confusion. The merchandise involved borders on obsolescence and normally he would not want to accept its return. But he would like to help this customer. He values his good will and his future possibilities and is sympathetic to the customer's problem.

Because he thinks of this primarily as a problem of customer relations, it does not immediately occur to him that he needs help from other departments in reaching this decision. Unable to make up his mind, he puts the letter aside, then looks at it dubiously each day for the next week, until it dawns on him that this is not simply his problem.

Had he asked himself at once, "Can I solve this alone?" he would have been speedily guided in the right direction.

Who else has information on it? The credit manager. He can tell whether the customer's account is so distressing that even outdated merchandise that must be sold at a discount represents desirable insurance against total loss.

Who else has an interest in the outcome? The treasurer who sets the official policy on the return of merchandise.

Who will be affected? The packing department that would probably have to examine and repackage all of these returned items.

After investigating these various angles, the sales manager has learned that:

1. The credit manager would like to see the account credited with the amount represented by this merchandise.
2. The treasurer is willing to make an exception to the company policy against returns of old merchandise.
3. The packing department estimates that it might cost up to 10 per cent of the value of the merchandise to handle and repackage the goods.

Now he is ready to write the customer and offer to take back the products at perhaps 25 per cent below the original sales price. This will compensate for the repackaging cost and for the discount needed to resell the goods.

4. What would be the ideal solution?

To move surely in any direction, there must be a goal. So it is not idle dreaming to envision the ideal outcome when facing a problem, however unattainable that ideal may seem.

The average businessman thinks of problem solving as a chore, rather than as a major part of progress. A problem (Continued on page 92)



► **THE AUTHOR** of "This Approach Speeds Problem Solving" is Charles A. Cerami, special assistant to the vice president of Austenol Laboratories. His 1955 book, "Successful Leadership in Business," is in its third printing. This article is an excerpt from his new book, "How to Solve Management Problems," which is to be published soon. (Copyright 1957 by Prentice-Hall, Inc., 70 Fifth Avenue, New York, N. Y.)



Capitols influence capital, so Schaefer keeps close touch

MARKET FORECASTING:

THE GENTLEMAN FROM INDIANA WHO PREDICTED THE BOOM

Stock market profits resulting from Schaefer's technical research and new interpretations have convinced skeptics that the Dow Theory has been brought up-to-date . . . and is now a more useful business and stock market forecasting method than ever before.

Just a few short years ago many investors were still shrugging a collective shoulder at the ability of the venerable Dow Theory to effectively point out future stock market trends. At approximately mid-century the decline in the prestige of the "Dow" abruptly halted and the greatest of all stock market forecasting techniques took a new lease on life. The current swelling in the ranks of investors who once again follow the now mellowed and often misunderstood Theory is widely credited to the exhaustive efforts and important technical improvements contributed by E. George Schaefer, a tall, soft-spoken Hoosier from Indianapolis.

For, since 1949, Mr. Schaefer has been providing his subscribers with direct, unhedged forecasts based on the Dow Theory. He says "to find and follow the road to success in the stock market is perhaps the most exasperating problem of all for investors. The Dow Theory offers them such guidance since it is a method of learning the major or primary trend direction. Any investor who correctly diagnosed the primary up-trend as starting in 1949, and who stayed *fully* invested in diversified growth stocks all the way up, is on the road to success under the Dow Theory. In all probability he has acquired some handsome profits,

thanks to this time-tested method."

Steadfast Bull

Generally regarded in financial circles as the only Dow Theory analyst who has steadfastly remained bullish on the primary trend of the stock market since 1949, the Dow Theory Trader service has grown by leaps and bounds under Schaefer's guidance. Today, more than 70,000 subscribers*, including several hundred banks, stock brokers, investment trusts, insurance companies and large corporations in addition to individuals, have followed his weekly service.

Perhaps one of the primary reasons for this astonishing success is the fact that Schaefer is not a man who, while prescribing procedure for others, hesitates to take his own "medicine" too. This "medicine" has been dramatically illustrated each week in the form of two unique Model Investment Accounts which are included as a regular feature of his service.

Success Revealed in Model Accounts

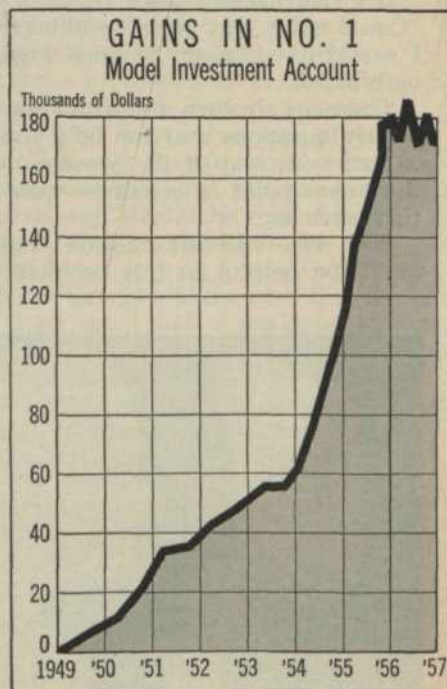
Since his model accounts were established in 1949, Schaefer's market policy has been to ride the primary bull trend under the Dow Theory with a diversified list of growth stocks all the

*including regular and trial subscribers

way up. During the past seven years, while the Industrial Average was climbing from its 161.60 low close of June 13, 1949, Schaefer's investment procedure has been to stay fully invested all the way up in diversified growth issues "in harmony with the major trend."

The two accounts, each with \$50,000 capital, were started primarily to help build needed confidence among subscribers in a great bull market to come . . . convince readers how bullish he believed the market to be, and to give them a concrete example of how long-term profits are made under the Dow Theory. Diversified stocks were selected and bought at prevailing prices in 1949. These accounts have been illustrated weekly as dividends were left to accumulate and were re-invested on reactions, as stock splits and stock dividends were added and as commissions were deducted. All contemplated selling and buying has been given to subscribers *before* execution, so that all subscribers would know what Schaefer was going to do in *advance*.

The results obtained in these two model accounts speak eloquently enough for the success of Schaefer's Dow Theory interpretations. In the No. 1 (Investment Grade Stocks) Account the original \$50,000 has grown to \$222,212.34 while the same amount invested in the No. 2 (Speculative Stocks) Account has increased to \$154,834.98. While some investors, with the clear perspective of hindsight vision, have suggested that almost anyone who invested in the market in 1949 should have obtained fair profits by now, many of these same people were doubtful of their investments at that time and at several other periods of market uncer-



This model Investment account was started in 1949 with working capital of \$50,000 and invested in 16 diversified investment-grade securities. Total market value to date (Mar. 29, 1957) \$222,212.34. Gain: \$172,201.47.

tainty and reaction during the past seven years. Schaefer's outstanding record has been achieved only because he advocated a fully invested position throughout this period and advised further purchases whenever downward market reactions presented an opportunity to buy.

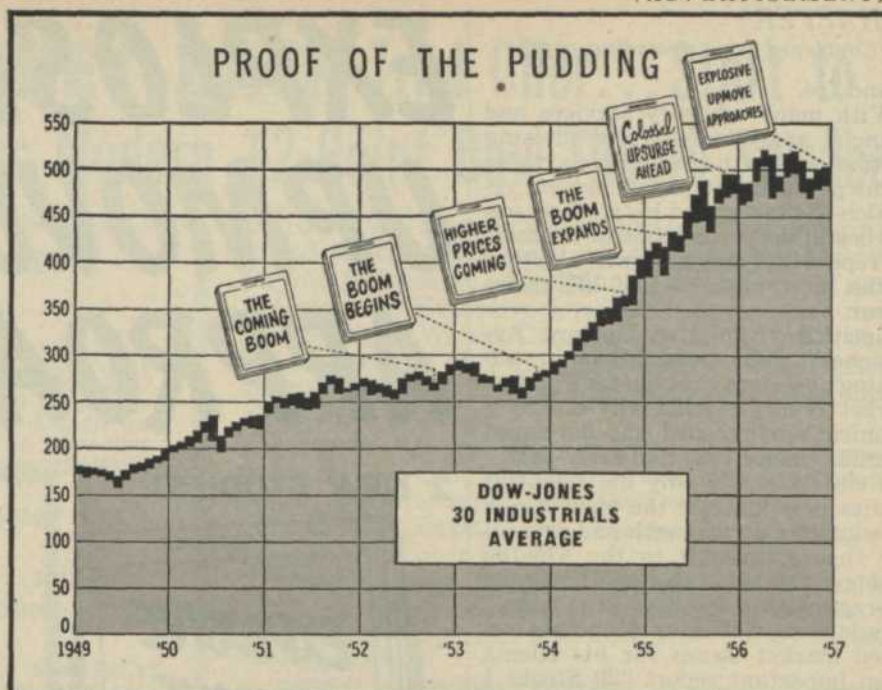
Schaefer's Modern Dow Theory Interpretation

To skeptics who once said that the Dow Theory was archaic and should have been scuttled long ago in favor of more fashionable forecasting techniques, Schaefer's answer, like his service, is unhedged and refreshingly direct. "Let's face facts. Perhaps to a small degree this was true, but few people really understand the Dow Theory. Most go astray by not studying all the factors influencing the market. They rely on the interpretations of inexperienced writers, or some out-of-date book and fail to realize that many advancements and improvements have been made in diagnosing the primary trend. Very often they lean on the deceptive pattern of the averages and this too narrow analysis, emphasizing short term market reactions, results in a completely false interpretation of the true, primary market trend."

Charles Dow himself placed greater emphasis on *Growth, Values, Earnings, Mass Psychology, Economics* and *Staying Invested in harmony with a primary bullish trend.*

Key to Stock Market Profits

"We have been able to analyze correctly major market movements for our clients," he adds, "by using seven time-tested technical approaches, all keyed to the Dow Theory. These are our 200-Day Investment Line, Dow's



50% Concept, the Yield Cycle, Short Interest Volume Ratio, Odd-Lot Index, Three Phase Studies and Consensus Opinion.

"When, during a major bull market, an investor allows surface market reactions (short term declines) to influence his judgment, as an astonishing number of hit-and-run investors did—even during the sensational 1921-29 Bull Market—he will be fortunate if his losses are only small ones."

One Case History

An investor, whose losses amounted to about \$65,000 sought Schaefer's counsel in 1953. "Hold," Schaefer advised, "for a profit which I believe will be around \$600,000." Recently, this client had this to say: "At the present time I have a paper profit of over \$730,000—more money than I ever expected to make in my life. I could take down this profit and be very happy. However, I have been a client of your service for a good number of years and I have been thoroughly indoctrinated with your thoughts and teachings. Therefore any thoughts I have of selling at the present is well 'nye' impossible and yet, I feel that would be the proper thing to do. When your mind is in that state, the pupil must turn to the teacher for guidance."

He Convinced the Skeptics

Investors have learned to place great confidence in Schaefer. Besides a quarter century of exhaustive research on market trends, he is one of a very few publishers of a service who has had wide experience with both a brokerage house and a bank.

Unlike another celebrated Hoosier, who once said "To insure Peace of Mind, ignore the Rules and Regulations," Schaefer has accepted the original rules of the Dow Theory, but has modernized them to fit the structure of today's markets. He says "just as one doctor or perhaps lawyer in a hundred will excel and become an expert in his field . . . so it is in this business of predicting market trends under

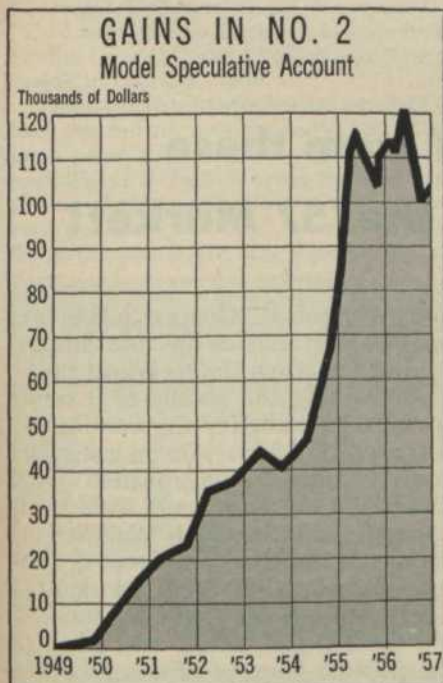
the Dow Theory. An investor must find, study and learn from the best source of knowledge available to him, if he is to be successful in gaining handsome profits over the years under the Dow Theory."

Schaefer's Historic Boom Studies

Further evidence of Schaefer's unusually successful forecasting technique is to be found in the timing of his now famous Boom Studies. (See Chart Above). Surpassing in omniscience even his "call of the turn" in 1949, the first of these historic reports, written in November, 1952, at the 270 level on the D-J Industrial Average and called "The Coming Boom," advised: "The odds are in favor of your holdings doubling in price . . . should the yield go as low as 3.1%, as it did in 1929, then the industrial average will go to 522 if dividends remain the same as now." Following this astonishingly accurate forecast, Schaefer's next study, published 13 months later, again urged investors to buy. One on top of another, new Boom Studies have issued from Schaefer's chart-lined library in Indianapolis. "Short-Term Decline Ahead" in August, 1954, was followed 12 months later by the reassuring "Higher Prices Coming" after the buying spot he had foreseen developed as a result of "election jitters." By May of 1955, he could, with satisfaction, call his new report, "The Boom Expands."

Stepping in again, when the President's illness found investor confidence at an extremely low ebb in September, 1955, Schaefer's "Colossal Upsurge Ahead" study was already in the mail to assuage the concern of his readers and to restore emotional equilibrium to those tempted to sell. Two further Studies, published in 1956, were emphatic in stressing the long-term potential ahead, as the market continued for 12 months, to sway

(Continued on next page)



This model Speculative account was started in 1949 with working capital of \$50,000 and invested in 32 diversified growth-speculation issues. Total market value to date (Mar. 29, 1957) \$154,834.98. Gain: \$104,832.25.

SCHAEFER

(Continued from preceding page)

to and fro.

With many advisory services and financial analysts fearfully advising caution, and with pessimistic articles in the press predicting a business recession—Schaefer and his staff set out and began the preparation of the market report that may go down in history as the most important of his entire career.

Entitled "Explosive Upmove Approaches" (see description in adjoining columns) Schaefer's latest market report reveals why a strong technical springboard has developed "similar to late 1927 and early 1928," and clearly states why his scientific studies now indicate the market will "gradually gain strength and eventually thrust through to the 675-725 level on the Dow-Jones Industrial Average within the next 18 months." In addition, Schaefer pinpoints selected market issues for his clients in an important report "29 Stocks I Would Consider for 1957."

Commenting on the predicted market upmove, Schaefer says, "this advance will find many investors sitting on the sidelines. They will," he adds with resignation, "have been scared out too early by interim market reactions to trap the full benefits of these tremendous profits."

HAVE YOU READ INVESTMENT PROCEDURE?

This unique booklet, written by E. George Schaefer, may give you an entirely new concept of investing!

Based on 23 years of Technical Research correlated with the Dow Theory, the author's years of experience with a brokerage house and a bank, and his invaluable contacts with thousands of investors who subscribe to "The Dow Theory Trader" service, this booklet reveals many secrets of successful investing.

"Investment Procedure" is completely illustrated with charts, technical studies, market letters, examples of model account procedure in two model accounts (during the past 6 years) and Dow Theory investment discussion. This unusual booklet shows how important profits have been made under the Dow Theory.



Make sure you get a copy of this valuable aid to profitable investing. Simply fill in the coupon, attach check for \$5—and mail today!

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My check for \$5 enclosed. Please send me a copy of "Investment Procedure."

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2 NEW STUDIES!**THE BOOM PREDICTED**

- The Coming Boom
- The Boom Begins
- Short-Term Decline Ahead
- Higher Prices Coming
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- Colossal Upsurge Begins
- Fabulous Profits Coming
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BONUS BULL MARKET STUDIES**4 Complete Weeks to the Service**

How You May PROFIT from these VALUABLE STUDIES in the '57 Market!

"Explosive Upmove Approaches," the newest of E. George Schaefer's astonishing Boom Market Studies calls another "advance of the tide" in the stock market after "a period of investor indecision when the technical position has become increasingly stronger." Containing the results of 3 solid months of intensive research, this report clearly evaluates the conditions which Schaefer believes will propel this historic Bull Market, "in an irregular but persistent upmove, to beyond previous highs, and then upward, "in a rampant speculative surge, to the 675-725 level of the Dow-Jones industrial average." Written in the same dramatic, unhedged style which Wall Street has come to expect from the man who predicted the boom, this report also includes Schaefer's eagerly awaited forecast of the 1957 Stock Market.

In addition to this new Boom Study, Schaefer has selected "29 Stocks I Would Consider for 1957" to include in a special, low priced trial offer to new subscribers. Far from embracing the popular concept of eternal optimism, Schaefer sees the next surge in the market as increasing in velocity as it reaches its high about 200 points above current levels, and then tipping over into a long term slide of bear market proportions, "presaged, during the upsurge ahead, by a cloud in the sky no bigger than a man's hand."

Accept Special **MONEY-BACK** Trial Offer... Start to Benefit NOW from this Modern 12-Point Dow Theory Service

PROFITS SPEAK LOUDER THAN WORDS!

Claims are one thing—but the proof of any service lies in its profits! A unique and popular feature of our weekly service is the performance record of our 2 continuously supervised model accounts (Investment and Speculative grades). In addition our investment procedure under the Dow Theory is fully outlined. This complete accounting shows our procedure from 1949 to date. Here are the actual GAIN records for our accounts (as of 4-29-57)

• NO. 1 MODEL INVESTMENT ACCOUNT

(16 diversified investment-grade issues)

Market Value: \$222,212.34

INDICATED GAIN (profits and reinvested divs.)..... \$172,201.47

• NO. 2 MODEL SPECULATIVE ACCOUNT

(32 diversified growth-speculation issues)

Market Value: \$154,834.98

INDICATED GAIN (profits and reinvested divs.)..... \$104,832.25

NOTE: Both funds were started in 1949 with \$50,000 capital each.

Unusually Generous Offer to Investors Who Want to Make Their Money Grow in 1957!

To introduce new subscribers to the outstanding record achieved by the Dow Theory Trader and to benefit them more fully from his valuable new analyses in the light of important current market influences and future prospects, an unusually generous introductory offer is being made. The complete package of the 9 widely discussed bull market studies plus Schaefer's latest study "EXPLOSIVE UPMOVE APPROACHES" and his important list of 29 Stocks for 1957 will be included FREE of cost to all new 4-week trial subscribers to Schaefer's "The Dow Theory Trader." These bonus articles include: "The Coming Boom," written in October, 1952, "The Boom Begins," written in November, 1953, "Short-Term Decline Ahead," in August, 1954, "Higher Prices Coming," issued in November, 1954, "The Boom Expands," issued in May, 1955, "Colossal Upsurge Ahead," prepared in January, 1956 and "Colossal Upsurge Begins," written in March, 1956, "Fabulous Profits Coming" and "24 Growth Stocks I Like Best for 1957" issued in October, 1956.

These important studies are available from no other source—they are not for sale. However, by subscribing now—the complete offer, including the two current studies and the bonus package of 9 Bull Market Studies and forecasts plus 4 full weeks of the service are yours for only \$3... a saving of more than 50% against the regular price of the service alone! We urge your prompt action!

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You don't risk a penny when you accept our generous introductory offer to examine the complete service for four full weeks! In addition to the important special reports "Explosive Upmove Approaches" and "29 Stocks I Would Consider for 1957" plus this bonus package of 9 Boom Studies, you will get a special trial subscription to a service that includes all of the following:

1. **SCHAEFER'S "THE DOW THEORY TRADER"**—our weekly market letter providing unhedged advice as to investment policy, and conclusions under the Dow Theory.
2. **TREND OF THE AVERAGES**—vital weekly charts showing important investment trends.
3. **SUPERVISED MODEL ACCOUNTS—INVESTMENT AND SPECULATIVE GRADES**—complete, continuous performance records of our two model accounts under our Dow Theory investment procedure.
4. **COMMENT ON INVESTMENT PROCEDURE**—a weekly discussion of model account procedure.
5. **SELECTED SITUATIONS**—stocks considered best buys. These include 5 portfolios: "Low Priced Speculations," "Better-Quality Investment Group," "Highly Speculative Cats & Dogs," "Selected Growth Situations," and "Selected Speculative (High-Velocity) Potentials."
6. **TECHNICAL SUPPLEMENTS**—special studies (presented in graphic form) correlated with the Dow Theory.
7. **CONSENSUS OPINION**—combined near-term trend opinion of 15 leading market analysts, plus industry groups and individual issues most mentioned and favored.
8. **THE BUSINESS OUTLOOK**—an occasional trend survey and study on future business.
9. **QUESTIONS AND ANSWERS**—important investment questions posed by readers are answered periodically.
10. **CASE HISTORY NOTES**—a special periodic page giving investment thoughts, principles, policies and records of subscribers. Our staff analysts' comments will accompany each case study.
11. **WASHINGTON NEWSLETTER**—an especially written analysis of important events taking place in our Nation's Capital with an interpretation of their probable impact on stock prices and the securities market.
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If I'm not completely satisfied I understand you will refund my money upon notification.

PROBLEM SOLVING

continued from page 87

is usually approached with the aim of just grappling with it and getting it out of the way.

Problems are opportunities. Let's understand right now that problem-solving should be an accomplishment, an attainment of the best possible result. Since business is competitive and your competitors face much these same problems, there is no progress in barely coping with situations. This may keep you in the race, but it will not make you excel.

Has a valuable employee left the company, creating a serious gap in the organization? The ideal answer would be to acquire a new employee or to elevate a present one who would have every good quality of the departing worker and other assets in addition. Instead of being satisfied with a merely acceptable substitution, aim for this ideal. Make the emergency an occasion for improvement.

Envision the picture as it ought to be. Then—though you may not even own all the colors and the brushes needed to paint it so perfectly—you can at least begin to fill in some of the blanks and the outline will help to keep your efforts properly concentrated.

5. What is the one key factor in this problem?

The vast majority of problems turn on a single factor that is obscured by many smaller bits of information, and that key tile in the whole mosaic must be found promptly to avoid wasting time pondering.

A problem of declining profits may be based largely on a drop in sales. If this is the essential cause, it must not be overshadowed by discussions of slightly higher labor and material costs.

Another question that may be helpful in finding this key factor is: "What one fact would—if eliminated—cause the entire problem to vanish?"

An old and highly respected company finds itself suddenly undersold and outclassed by several competitors who have introduced automation into their production lines.

Shattering discouragement could easily result. It is not one rival, but four or five, that are leaving this former leader far behind.

What one fact could solve the problem? The answer has a silly sound: If automation ceased to exist, if the production conditions in the industry were as before, then the competitive positions would also be normalized.

Yet the absurdity of that futile

answer jogs the mind to its logical consequence: Since the other companies cannot be made to abandon automation, we'll have to adopt it.

This is so obvious, so elementary; but how many leading companies have tumbled into oblivion because they delayed until too late in making the break with tradition and in moving to keep up with progress.

The time you spend in finding the one key factor is the most rewarding time you can invest in your business. Until that factor is isolated, the answer will continue to elude you. Once it is identified, a problem may be solved in days or minutes with surprising ease.

6. Is my attitude hampering the solution?

True objectivity does not come easily to any of us. Just when we pride ourselves most on our unbiased self-analysis, we may be bending over backward to find faults that do not exist.

So when we are wrestling with an important problem, it is vital to maintain a sense of balance.

The question—"Is my attitude hampering the solution?"—will not always bring an honest answer. Yet it is unfailingly valuable as a reminder that an attitude may be your greatest problem.



ALASKA, Anchorage, LaBow, Haynes Company, Inc.

ALABAMA, Birmingham, Ford-Myatt & Ebaugh, Mobile, Thames & Betre

ARIZONA, Phoenix, Luhrs Insurance Agency

ARKANSAS, Little Rock, Rector, Means and Rowland

CALIFORNIA, Los Angeles, Miller, Kuhrt & Cox, San Francisco & Oakland, Spencer & Company

CANADA, Calgary, Mackid Agencies, Ltd., Montreal, Dupuis, Parizeau, Tremblay, Ltd., Toronto, Tomenson, Saunders, Smith & Garfat, Ltd., Vancouver, Durham & Bates Agencies, Ltd.,

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GEORGIA, Atlanta, Dunlap & Company, Savannah, Palmer & Cay, Inc.

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KANSAS, Wichita, Dulaney, Johnston & Priest, Topeka, Speed Warner, Inc.

KENTUCKY, Louisville, Nahm & Turner Insurance Agency, Inc.

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MARYLAND, Baltimore, Riggs-Warfield-Roloson, Inc.

INSURANCE SERVICE ASSOCIATION OF AMERICA

One businessman who had worked 11 years to have his firm set up a West Coast branch was crushed to learn that another employee was being considered as manager of the new operation.

How was it possible that all his enthusiasm for the plan could have been overlooked? How could management be so ungrateful?

For days after learning the depressing news, this man went morosely about his duties, hardly speaking to anyone, convinced that he would have to leave the firm and make a new start elsewhere. His sullen behavior almost wrecked his

chances completely. When he finally told the president of the firm of his disappointment, the latter was amazed:

"Good heavens, Chris! I had no idea you and your family would be willing to pull up stakes here and go west. Why this is great news! If you'll take over that job, I know the new branch will be in good hands."

In another case, a negative attitude that was less openly displayed blocked the road to recovery for a New England small arms manufacturer who was being hit hard by foreign competition.

The president of the company was

a progressive individual who was determined to keep moving forward. He traveled overseas and learned what some of the foreign competitors were doing to improve quality and lower costs. Returning home, he suggested numerous innovations to his vice presidents, and asked them to investigate radically new departures.

These other men, however, had always done things one certain way and the mention of great changes made them doubtful and antagonistic. Quite conscientiously, they examined every suggestion, made studies and surveys, and invariably concluded that each idea was not quite practical.

If these men had been able to see how their own attitudes were preventing the solution of a critical problem, they would have saved themselves the embarrassment of being pushed aside. Their president, finally realizing that his aides were working against him, went ahead with decision-making on his own initiative, treating these officers like mere foremen.

7. Who or what is responsible for the existence of this problem?

Any one of the examples we have considered might have been illuminated by the asking of this question.

For every problem, at least one person or circumstance acts as the instigator. More often than not, no one is to blame for the problem.

A colleague who blocks your path to advancement cannot be blamed if he stands ahead of you on the basis of seniority, education or experience. A competitive firm that takes away your customers by promising faster service is doing its own job well.

Your job is to identify the person or company or fact that is standing in your way, and then to work out a superior strategy.

When you ask yourself, "Who or what is causing this problem?" you take another step toward clarifying the picture, so that when you do move, it will be straight toward a solution.

Businessmen often tilt with windmills because a problem is hastily viewed as a great opponent that must be slashed at wildly. When you can focus your attention on one thing and work methodically to overcome it, problem-solving begins to be a scientific process.

—CHARLES A. CERAMI

the modern insurance concept...

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55 independent insurance agencies, affiliated in **55** cities, offer you professional insurance service all across North America at important savings in time, money and peace of mind. If you have need of insurance coverage and counsel in more than one locale, your local Insurance Service Association member-broker is a good man to know—and know about. He can offer you vital service that is unique even in the service business! Call in the member-firm nearest you for a friendly explanation of how their Association affiliation can save you time, money and peace of mind.

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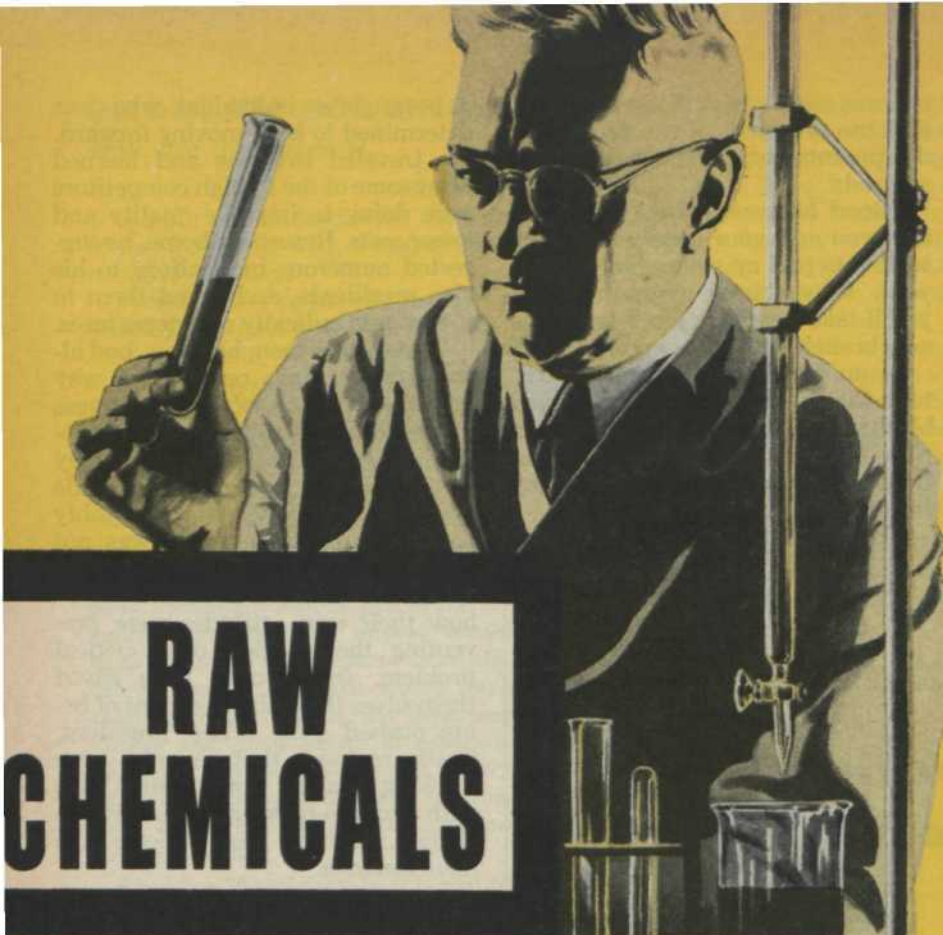
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*A Growing Company
in a Growing West*

GRANTS-IN-AID

continued from page 31

is not an inanimate tool of politicians and the administrators. It has socio-economic characteristics. It lives long and grows in size. It grows in quantity and in diversity.

From a sociological standpoint, its reason for being is often hazy, and frequently it appears to be born of standards which have the flexibility of rubber yardsticks. It deludes the recipient with the belief that great rewards will come from small investment or little effort. Let's examine these characteristics briefly:

They live long lives—Regardless of the conditions which may have occasioned their establishment, federal grants live long lives. Grants for agricultural research date back to 1887. Federal land grants for agricultural colleges date back to the Morrill Act in 1882. Highway grants started in 1916, maternal and child services in 1921, public health in 1918, vocational education in 1917, and support of land grant colleges in 1890.

Of the 25 major programs of federal grants to states and local governments given special study by the Kestnbaum Commission, the oldest was 70 years and the youngest seven. The average life of the 25 programs was 28 years.

They grow big—A federal grant-in-aid once established grows with vigor. A brief examination of the total grant program for the past 10 years and that proposed for fiscal 1958 reveals this vigor in growth. Despite the fact that the nation's economy has been on a generally steady upswing, federal expenditures for aid to state and local governments have risen from \$1.7 billion in fiscal 1947 to an estimated \$5.5 billion for fiscal 1958. Almost all of this was for grants-in-aid.

They grow in numbers—The Morrill Act of 1862 providing land grants to states for colleges of "agricultural and the mechanic arts" is usually considered the beginning of federal grants-in-aid to the states. For the most part, the growth of regular grants was relatively slow in the Nineteenth Century. Major programs were established for the purchase of books for the blind (1879), for agricultural experiment stations (1887), for inmates of veterans' homes and for cash grants for A. & M. colleges (1890).

In 1911 came grants for marine schools, followed by grants for agricultural extension (1914), highways (1916), vocational education (1917), venereal disease control

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announces the

post-master 92



New low-cost electric posting machine soon pays for itself with savings on accounts receivable posting

How much does your bookkeeping system cost in supper money, overtime and wasted clerical time?

How long does it delay sales or credit people when they need the current status on any account?

How long does it take to mail out statements after closing for the month?

How much is your business held back by outmoded posting methods?

Can you afford such handicaps when it is so easy to simplify with the new low-cost **Post-Master 92**?

NO MORE LATE NIGHTS, NO MONTH-END RUSHING

The Underwood **Post-Master 92** posts, balances and proves both ledger and statement in a single entry. This saves you all the time now spent in footing and balancing customer accounts . . . all the time now spent in locating and correcting trial balance errors . . . all the time now spent in transcribing detail entries to customer statements. The books are kept always in balance, eliminating the overtime and frayed nerves from month-end closings. Statements are always ready to mail.

This complete posting machine also doubles as adding machine

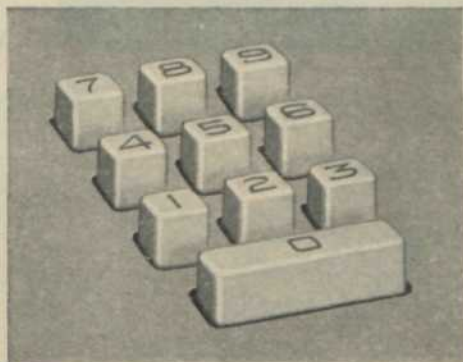
Post-Master 92 has two registers, providing for an automatic balance (debit or credit) on each account and for a proof total covering all entries made in the posting run. Other "big machine" features include automatic electric carriage return and automatic date printing. In between posting runs, your

Post-Master 92 will also serve as an efficient duplex adding machine.

You get so much for so little in the new **Post-Master 92** . . . because it is based on the long experience and proved design features of famed Underwood Sundstrand business machines. And all of its money-making advantages can be yours with easy monthly payments.

NEW PRESTIGE AND FASTER COLLECTIONS

Many businessmen feel that the extra prestige of a neat, accurate, on-time statement is alone worth the cost of a **Post-Master 92**. And the statement that arrives on time always has a better chance of prompt payment. Also, people know from experience that machine-posted statements are accurate — which again prevents payment delays.



Modern TEN-KEY method for speed and simplicity

This brand new machine gives you the extra speed and simplicity of the famous Underwood Sundstrand **TEN-KEY TOUCH** posting method. After just a few minutes of practice, your bookkeeper will be able to make machine-posted entries. She will enter figures by touch alone, without having to look at the keyboard. Everything about the machine has been simplified and streamlined for effortless, high-speed posting.

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Master-Touch
business machines

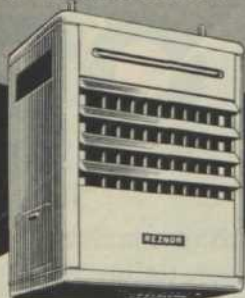


FREE FOLDER shows how easy it is for your bookkeeper to make the switchover. Unbelievable, until you see for yourself how simple it is to post accounts receivable by this modern mechanized method. Complete literature answers all your questions. Call your local Underwood Showroom (see the Yellow Pages), or write to Underwood Corporation, One Park Avenue, New York 16, N. Y.

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GRANTS-IN-AID

continued

(1918), and vocational rehabilitation (1920).

In 1920 the annual report of the Secretary of Treasury carried 13 appropriation accounts from which payments were made for grants to or within states. In 1930 there were 25; in 1940 there were 44; in 1950 it was 56; and last year, 59.

If the President's proposals for 1958 are carried out there will then be 66.

They diversify—What are these grants-in-aid for? Those identified in the budget are spread over six major functional fields and cover approximately 72 activities or programs.

They cover activities from "assistance to the states for tree planting" to "assistance for planning education beyond high school." They take and give for highway construction, vocational rehabilitation, urban planning, draining anthracite mines, library services, economically distressed areas, low-rent housing, state marine schools, and a host of other subjects.

Why grants-in-aid?

The reasons are not always clear. Some are obviously the logical outcome of society's advancement. However, some have no direct relationship to the general welfare as such.

Some have been supported by those who feel that federalism is an

How grants have grown in 10 years

(Expenditures in millions of dollars)

15 MAJOR PROGRAMS	1948	1958 (proposed)	% growth
Agricultural research	7.2	34.2	379 %
Agricultural extension	26.2	54.5	108
Highways	318.5	1,654.0 ^a	419
Vocational education	26.4	40.9	55
Vocational rehabilitation	21.7	49.3	127
Maternal and child welfare services	21.4	41.5	94
Employment Security Admin.	133.6	257.0	92
School lunch	65.1	98.6	51
Donations of surplus agr. commodities	35.0	323.7	825
Public assistance	718.4	1,679.4	134
Low-rent public housing	3.3	99.0	2,868
School construction, maintenance & operation in federally affected areas	4.1	213.6	5,086
Hospital construction	1.0	99.8	10,320
Slum clearance and urban renewal	11.6 ^b	50.5	336

a. Trust fund expenditures

b. Expenditures for fiscal 1954

unworkable principle of government in a modern age.

Some won support on the basis of the argument that state and local governments were financially unable to solve their own problems. Such an argument is answered by a recent statement of Secretary of the Treasury Humphrey:

"The people must come to understand that any program, if financed by Washington, can only be paid for by local tax money going to Washington, where some is used up for Washington overhead expense and what's left goes back to the local community which provided some or all of the money in the first place."

Some are supported by the argument that state governments are archaic and are losing power to the federal government by their own failure to improve.

Some apparently are fostered by federal bureaucracy which seeks self-expansion.

Others seem to have been inspired by pressure groups which generated needs for federal intervention in activities formerly reserved for state control.

All of these reasons probably contribute in some measure to the existence and continued establishment of federal grants. If these were to be weighted in proportion to their importance, there is strong evidence that in recent years the last would rank first. The establishment of a national need or national objective has been the goal of many specialized groups.

The result has been the infusion of programs requiring federal expenditures, sometimes with no true consultation with state governmental leaders to determine their desire or need for such programs.

One example of such a federally fostered program is that which would provide grants for general school construction. Many state leaders have objected to this grant both because the need for a federal program does not exist and because of fear of the accepted principle that what the government subsidizes it has the power to regulate.

A similar case is found in the field of medical and hospital care.

What are principal dangers?

It does tend to centralize control of state and local situations in Washington. Further, it fosters the growth of large bureaucracy and its attendant problems of bigness.

It also has a tendency to stifle initiative at the state and local level.

It beguiles the populace into be-

(continued on page 100)

When Betty Hutton sings, fans shout, whistle, stamp!



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star of
"SPRING REUNION"
a Bryna Production
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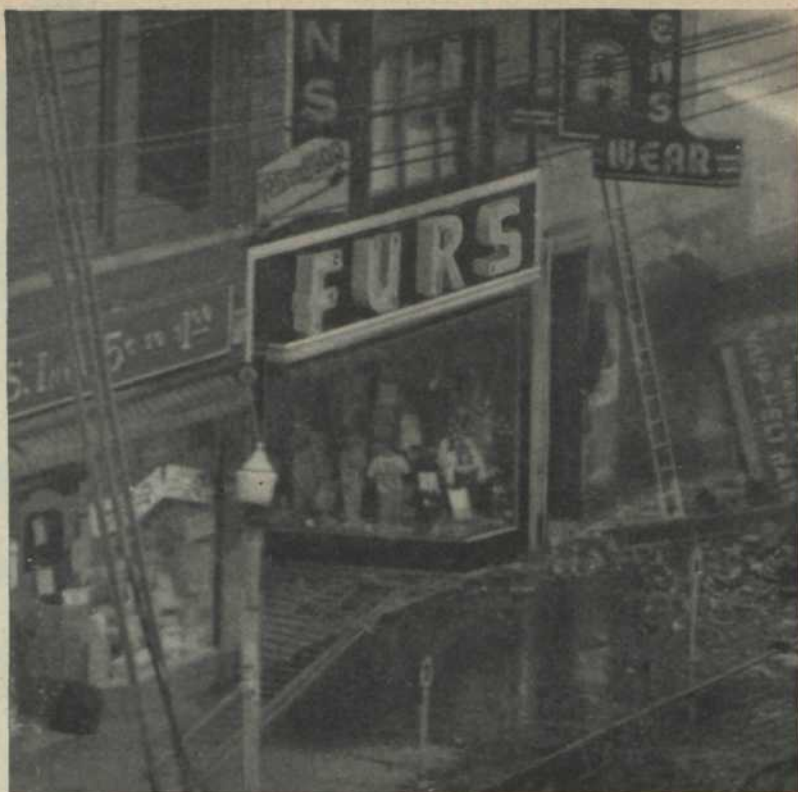
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INSURANCE



Not enough of the right kind of insurance. That's the shocking explanation of...



Why 43% of all businesses closed

Damage to business properties by an insurable peril—such as fire, explosion or windstorm—usually brings *two* kinds of financial loss in its wake.

Vital protection overlooked. While most businessmen have the foresight to protect themselves with insurance on buildings, furniture and fixtures, merchandise and other property, a surprising number are unaware of the existence of an equally important type of coverage—*Business Interruption Insurance*.

Exactly what is Business Interruption Insurance? Briefly, it is protection against *loss of earnings*. In other words, if disaster temporarily closes your business and shuts off its earnings, Business Interruption Insurance in adequate amount moves in to hold the line.

Business Interruption Insurance can help to pay your federal, state and local taxes . . . the interest on your indebtedness . . . the salaries of your employees . . . and many other items of continuing expense during the period of interruption. In addition,

it can pay you the *profit* you'd have earned except for the disaster.

Too many businessmen have found out too late that insuring against property damage wasn't enough . . . they should also have protected their *earnings* with Business Interruption Insurance.

In an overwhelming number of instances, it wasn't the property damage that hurt . . . it was the losses which resulted from the in-

terruption to business. These often came to sums greatly in excess of the value of the property actually destroyed!

No business too small. One of the arguments businessmen frequently advance against Business Interruption coverage is that their business is "too small" to need such protection. *Yet who would find it easier to borrow new working capital? Or to*

HOW BUSINESS INTERRUPTION INSURANCE WORKS

(Balance Sheet for One Month)



AS A GOING CONCERN . . .	
Sales	\$30,000
Cost of Merchandise	18,000
Gross Profits	12,000
Expenses	10,000
Net Profit	\$ 2,000



AFTER A FIRE . . . Without Business Interruption Insurance	
Sales	None
Cost of Merchandise	None
Gross Profit	None
Expenses (Necessarily continuing)	\$7,000
Loss of Net Profit	2,000
Total Loss	\$9,000



AFTER A FIRE . . . With Business Interruption Insurance	
Sales	None
Cost of Merchandise	None
Gross Profit	None
Expenses (Necessarily continuing)	\$7,000
INSURANCE PAYS	9,000
Net Profit	\$2,000

These balance sheets tell a graphic story. Substitute *your* business for the one *without* Business Interruption Insurance and it might be your story tomorrow . . . next week . . .

Note that your expenses go right on even though your business operations have stopped dead in their

tracks. There's nothing coming in . . . and expected profits are being lost every minute of the time it takes you to lay in new stock . . . to repair or replace your equipment . . . and to get things back on a before-the-disaster schedule. *Don't let this happen to you!*



by disaster fail to reopen!

take it out of reserves? The small company or the big one?

How to tell the amount of insurance needed. Just as no business can afford to be without Business Interruption Insurance, so should none guess at the amount needed. Your Hartford Group Fire Insurance Agent will be glad to help you arrive at the correct figure. Or, if you'd prefer, he will show you how to calculate your Business Interruption needs for yourself.

How much does this insurance cost? In view of the tremendous

"earnings protection" it provides, Business Interruption Insurance actually costs surprisingly little. *Less per \$100 of protection than property insurance!* Determining the cost is a matter of simple arithmetic applied to published fire and extended coverage rates for the building you occupy.

What about adjusting losses?

Business Interruption Insurance, as you've seen, is broad protection. So you might expect that losses would be difficult to adjust. They're not.

In fact, Business Interruption losses are often much easier to

handle than property insurance losses from the same cause.

The reason? Adjusters can go right ahead and figure your business interruption losses with only your books to guide them. So there's no problem on this score if you keep your records in a safe place.

Get the whole story—now! Call your Hartford Group Fire Insurance Agent or your insurance broker. Ask him to give you full details about this important, low-cost form of "earnings protection"—Hartford Business Interruption Insurance. Or, if you prefer, mail us the coupon.

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you'll do well with the*

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Group



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Hartford 15, Connecticut
New York Underwriters Insurance Company
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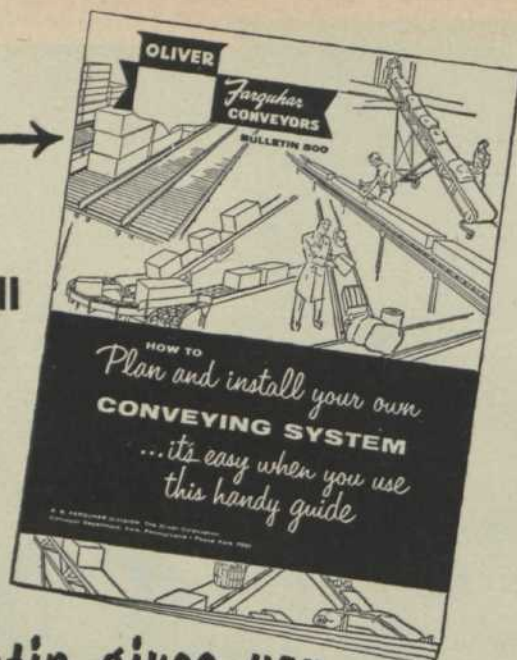
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GRANTS-IN-AID

continued

lieving that because a larger government is handling the problem, the cost is lower.

Perhaps the most serious problem lies in the tendency to make basic alterations in the constitutional division of powers between the states and the federal government. The starting of such programs becomes easier and easier as we become a more homogeneous nation and it becomes easier to interpret the smallest of problems as national in scope. Once entrenched, these programs are not easily dislodged regardless of the change in conditions or the ability of state and local governments to accomplish effectively the purposes for which the federal grants were established.

If the grant, then, is a good device but holds inherent dangers for our system of federal government, how

Subsidy by government is desirable at certain stages of development and in crucial periods for people and industries who can't help themselves. We in labor favor them for the farmer, for industry and others when need is there. But should the government at the expense of the rest of the people help those who have the means to provide for themselves?

—David J. McDonald
President, United
Steelworkers of America

can we assure that it will be used effectively in the furtherance of the general welfare?

Basically, these three things are required:

1. A good set of criteria for deciding what should be done by federal grants,
2. The use of good judgment in applying these criteria to specific situations,
3. A sincere and dedicated belief in the political philosophy of federalism with a disposition to retain and foster state and local vitality.

The first of these is presented in the report of the Commission on Intergovernmental Relations, and the last two must be provided by those entrusted with public responsibilities in this field.

—WALTER G. HELD

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Firestone's global activity demands insurance protection of *many* kinds and forms. The North America Companies, sharing the responsibility

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Your business, whether as large as Firestone today or as small as Firestone was when it began in 1900 with 20 employees, can get the same extra value service. North America protection and service reach the nation's industries through the local agent, an independent businessman working to protect you fully. And because today values are up, he will suggest that you insure fully.

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ALL KINDS OF INSURANCE FOR THE INDIVIDUAL AND BUSINESS



Insurance Company of North America Indemnity Insurance Company of North America Philadelphia Fire and Marine Insurance Company Life Insurance Company of North America

Why **FARM PLAN** won't work

Soil bank idea using up \$600 million in tax money, holds little hope for results

THE GOVERNMENT SOIL BANK, in its first full year of operation, already gives evidence of being far from a smashing success.

This plan pays farmers in cash for depositing part of their farm land with the government in the form of a nonproducing reserve. Although the bank has cut into production of the surplus crops it covers, it is also clear that:

- ▶ It is an extremely expensive device.
- ▶ It will have no more than a temporary restraint on mounting farm production unless it is constantly made bigger and costlier.
- ▶ Some farmers are being treated unfairly—getting less soil bank acreage or less generous payments than other farmers.
- ▶ Some farmers are treating the government unfairly—using the soil bank program in ways its authors never envisioned.

The fact is, it is hard to find anyone in Washington who will go far in praising the program. The general line of comments is:

"Well, it may do some good—temporarily. But we certainly have no faith in it as it now stands for the long run."

A major aspect of the farm problem is to find means of adjusting farm output to levels that will yield satisfactory prices to farmers—prices in line with the cost of farm production.

The soil bank program was put forward as a new tool to promote such an adjustment.

It was recognized that even if successful, the adjustment would be only temporary—would buy time for other fundamental adjustments.

It was, even among its staunchest supporters, advocated as at best a step in the right direction.

As a tool, its limitations are becoming increasingly apparent. The outlook for its success is less than

bright even if the program were to work effectively to achieve its intent of reducing crop acreage.

By the end of 1957, about \$1 billion of the taxpayers' money will have been paid out to farmers under the soil bank program—upwards of \$20 for every American household. Here is an interim report on how it operates and some of the headaches and complaints being encountered by the men who are trying to make it work.

What is it?

The soil bank is a device designed to withdraw farm land from production in order to cut down on farm surpluses which now tie up more than \$8 billion in federal funds, cost \$1 million a day to store and which depress farm prices. A secondary purpose is to increase soil fertility by conservation and soil-rebuilding practices.

Under the soil bank law, the Agriculture Department can spend up to \$1.2 billion a year on the program. The bank actually has two parts. The first is an acreage reserve program of \$750 million, for acreage actually taken out of production of six specific crops—wheat, upland cotton, corn, tobacco, peanuts and rice. Because peanut supply and demand are in balance, the Agriculture Department has not included that crop in this year's program. The second part is a conservation reserve program of up to \$450 million, for payments to farmers who contract to devote part of their general crop land for three to 15 years to grass, trees, water storage or other long-range conservation uses.

The acreage reserve part of the program is the more important one so far as choking off current production is concerned. Under it, farmers receive an amount equal, in theory at least, to the profit they would have made by cropping the land taken out of production, plus a small bonus that was designed to encourage

participation. A complex system of state and county prices, based on average local yields, determines the per acre payment to farmers.

What is it costing?

Because the maximum participation has not been achieved, the program will probably cost less than \$1 billion this year. That includes an estimated \$68 million administrative cost. This fact has permitted the President to tell Congress it can cut \$254 million from the budget request. Last year, when the program got off to a late start, it cost \$260 million. (One Department official said recently, about last year's experience: "We could have done better if they'd just given us the money and told us to spread it among the farmers.") Of course, no one can estimate how much the soil bank is saving by reducing the cost of price support and other federal farm programs.

The latest reports from the field give this picture of the 1957 program. More than 21.3 million acres have been signed up for the acreage reserve in close to 1 million separate agreements. (Some farmers have several contracts, so less than that number of farmers are involved.) If these cooperating farmers comply with all regulations, they will receive this year, for taking this 21.3 million acres out of production of five

basic crops, more than \$600 million. The withdrawn acreage breaks down into 12.8 million acres of wheat, 5.2 million acres of corn, 3 million acres of cotton, 216,000 acres of rice, and 80,000 acres of tobacco.

The conservation reserve has a later closing for signing than does the acreage reserve, and the sign-up is far less complete. The most recent Agriculture Department report showed nearly 4.8 million acres already put into the program under contracts with some 56,600 farmers. For installing long-term soil and water conservation practices or wildlife habitat improvement measures, these farmers will receive this year an estimated \$32.7 million to offset up to 80 per cent of the installation costs. In addition, if they stick with the program, they'll receive this year and each succeeding year another \$42.3 million in rental payments. Final figures on the conservation reserve are expected to be substantially higher than these interim figures.

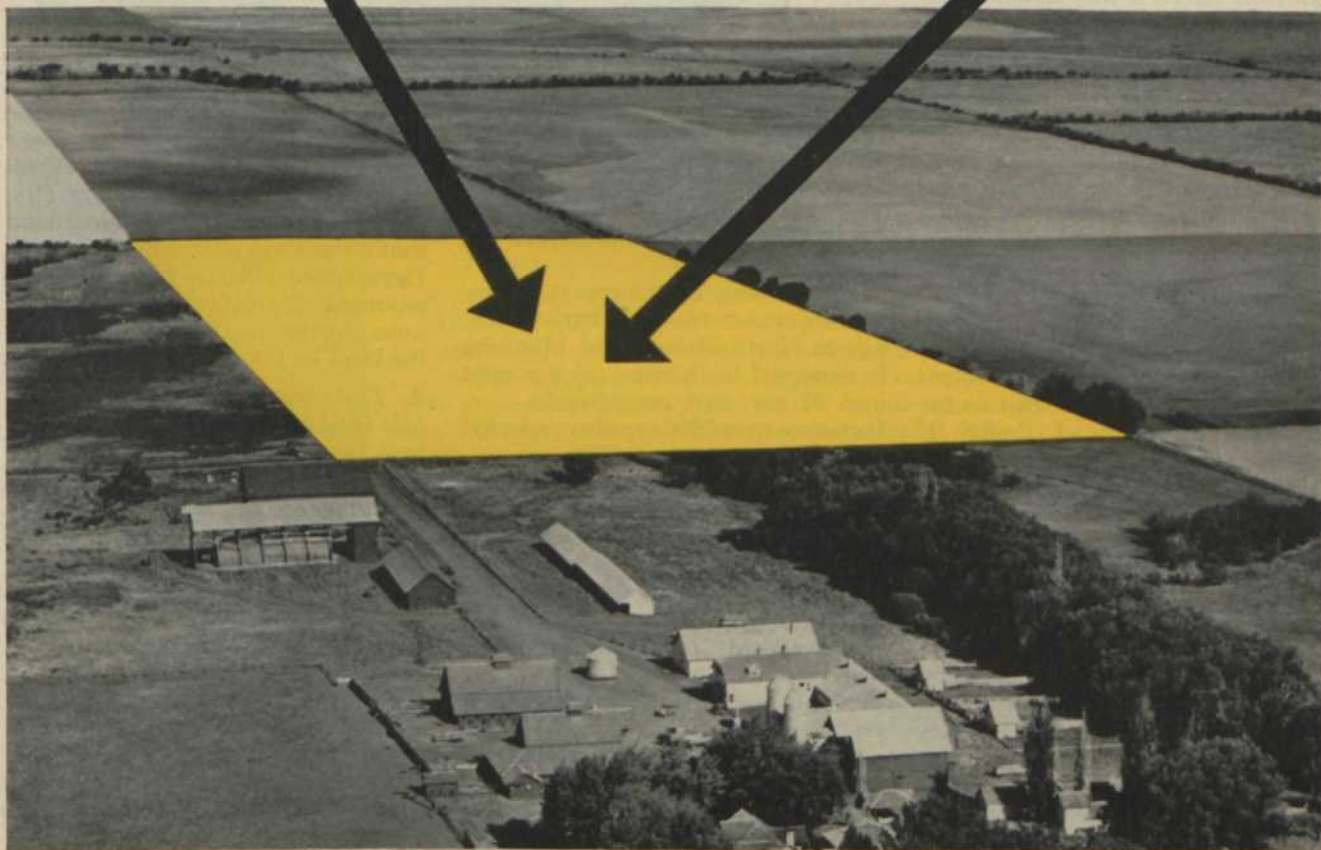
What are the headaches?

The problems fall into two main classes—difficulties inherent in the concept of the soil bank and operational difficulties encountered in putting it into effect.

Probably the most basic objection to the concept of the soil bank is the ease with which productivity per acre can be increased by modern scientific farming

20.5 million acres are out of basic crop production. Yield on acres in use will grow

\$600 million goes to farmers. No one knows if saving on price support will result.



FARM PLAN

continued

methods. This prevents any system of acreage control from being an effective production control for more than a brief period, experts assert. This objection was heard from virtually every official consulted in researching this article—even from key officials within the Agriculture Department.

"It simply can't work," a top Department official directly concerned with the soil bank declared in a remarkable burst of off-the-record frankness. "They've taken a production control method already proven a flop in the allotment program and given it a new twist. There's no question but that it will fail as a curb on production in the long run."

No responsible official will say just how much production the soil bank is choking off. Agriculture Department experts say the soil bank will cut U. S. cropland in production this year to the lowest point since the mid 1930's. They earlier made rough guesses that for 1957 the bank would cut wheat production 175 million to 225 million bushels, cotton 2.25 million to 2.5 million bales, corn by 175 million to 225 million bushels, rice by 450 million to 550 million pounds, and tobacco by 130 million to 160 million pounds.

But now some officials admit these estimates may turn out to be on the high side. Even if they should turn out to be correct, Department officials fear, the drop may be only temporary—until the farmers get the knack of using their manpower, machinery, fertilizer and other production items to turn out more and more on the acres not in the soil bank.

The alternative would then be to enlarge the program still more, making it still more expensive.

"The soil bank," declares a spokesman for the National Grange, "will provide some automatic conservation, although not really on a selective or intelligent basis. But as for reducing production—I doubt it. Take a farmer who normally raises 100 acres of wheat, and who goes into the soil bank for 10 acres. I'll gamble every time on his ability, within a year or two, to produce as much on the 90 acres not in the soil bank as he was producing on the 100 acres before."

Another basic fear expressed by the program's administrators is that the soil bank, in cutting into some surpluses, will merely increase other surpluses—surpluses of crops not covered by the acreage reserve.

The acreage reserve in 1957, as

noted, covers only five basic crops. It does not cover feed crops, which are also in surplus supply. Under present regulations it is possible for many farmers, particularly those who customarily allow part of their land to lie fallow each year anyhow, to put the land they have withdrawn from production under the soil bank.

For example, a farmer in the Northwest with a 200 acre farm customarily puts 100 acres into wheat and allows the other 100 acres to lie fallow, alternating the planted and fallow acreage each year. He decides to go into the soil bank for 50 acres of wheat, which would leave him only 50 acres still in wheat production. But he can designate as his soil bank wheat acreage half of the 100 acres that he planned to fallow. Then he can put into other crops the 50 acres of productive land he has withdrawn from wheat.

This situation is at least partly responsible for the unusual trends reported in a recent Agriculture Department survey of prospective plantings for 1957. The report predicted that corn plantings would be the smallest in 70 years and spring



wheat plantings the smallest on record. But at the same time, it also disclosed that barley plantings would be almost one third above average and nine per cent above last year, while sorghums would be three fourths above average and up 23 per cent from 1956.

Buried deep in this report are revealing sentences: "The barley acreage in North Dakota and Montana is expected to increase 20 per cent and 31 per cent respectively. . . . Increases over 1956 are also expected in other western states."

Department officials are now looking for a way to tie up the specific acreage withdrawn from production under the soil bank, to avoid this switching to other crops. The law as it now stands makes the present practice legal. This danger that the soil bank will encourage new surpluses in nonbank crops is strengthening the demand of some farm organizations that feed grains and all other surplus crops be included in the soil bank. Of course, this, too, would make for an enormously ex-

panded, expensive program. John Stephenson, a Washington state wheat farmer and a leader in the National Association of Wheat Growers, was recently quoted in the *Christian Science Monitor*:

"The program defeats its own purpose of an over-all reduction in grain supplies. In the heavier production areas, where a cutback in acreage would really make some dent on surpluses, the payments are not high enough to enable the farmer to participate. In the light production areas, the soil bank serves as a crop insurance program for the continuance of uneconomical wheat farms. In the intermediate production areas, the compensation the participating farmer receives comes in two parts—an acreage reserve payment for leaving acreage out of wheat production and the payment he gets for the sale of alternate crops produced on the same acreage. These alternate crops—generally barley or alfalfa—in turn glut the market the soil bank was established to help in the first place, since wheat has to compete with other grains in the feed market."

Still another production problem is this: Even if the soil bank succeeds in cutting surpluses of some crops, this could merely create new headaches. As the surpluses drop, prices will rise, and the government would likely have to bid higher and higher for soil bank land to prevent new overproduction and surpluses.

Here are some other aspects of the soil bank which raise questions about its value:

1. *The soil bank is frequently a depository for poor land.* Most Department officials concede that the farmers who participate put their least productive land into the acreage reserve—the sloping, gravelly, worn out or otherwise marginal land that's the least economical to farm. Department officials point out that payments to the farmer are based to some degree on the productivity of the land he takes out of production.

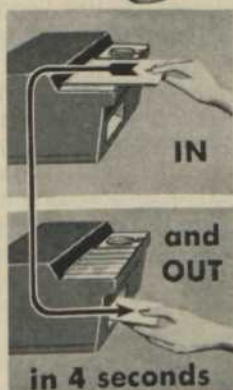
2. *The eventual productivity of the idle land is increased.* The Agriculture Department cites this as an advantage of the program in its promotional literature; its leaflets to farmers urge participation, among other reasons, because of "increased future productivity capacity for land removed from production. No crops except those that conserve the soil may be grown." This is all well and good, but it means more productivity on the total farm the next year. This could be such a serious problem, if farmers annually change the acres they put in the soil bank, that the

(continued on page 126)

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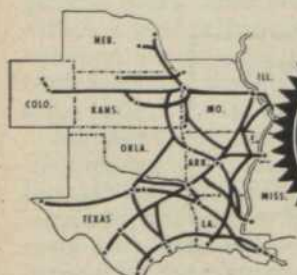
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CREDIT BOOM

continued from page 33

a balance and can buy almost any type of merchandise carried in the store. In any month he can add on to his balance up to his debt limit. Other plans incorporate the automatic features of the revolving budget plans with features of the traditional installment plans for furniture and other durables.

Once you have instituted one of these new plans you may find that, after you have reached your full market potential, your repayment income keeps fairly even pace with your credit extensions. It will tend to dampen the seasonal fluctuations which characterize conventional installment credit plans limited to furniture and heavy appliances.

Study your credit costs

Study your installment operation as if it were a money-lending business. If your operation is typical, your average costs fall sharply as installment credit volume increases. When you calculate these costs, use a break-even point analysis. Compare the total costs of operating your credit office—omitting charge accounts—to total revenues (finance charges) at various levels of installment credit outstandings. This will enable you to estimate the minimum amount of installment credit outstanding which you must carry to break even profitwise on your credit operation. Anything above that will yield increasing profits from finance charge revenues. If you carry your own paper, include what it costs you to borrow money.

If you are going to run your own installment selling operation you had better do it on a large enough scale.

If your business is typical, the least profitable loan (installment sale) is probably the small and relatively short one. The credit you extend to a new account is more costly than the same amount added to an established account. Furthermore, the cost per dollar (average cost) of servicing a loan falls sharply as the amount of the credit granted increases. The net profit increases with the size of loan and with the number of months extended. Increasing numbers of credit granters are varying charges and terms according to the size of the sale. Larger loans are given more time to pay at lower rates. This technique can be employed for the higher limits on the revolving budget plan. It also eases the burden of finance charges on your bigger customers.

Standardized and automatic in-

installment credit plans streamline the credit operation, cutting the costs as well as providing other benefits resulting from consistent policies uniformly applied.

Gear promotion to new consumer attitudes

The midcentury consumer is an owner of capital goods which provide him with a continual flow of services. He uses credit as a budgeting device. His income is predictable and steady. He is prepared to level out his seasonal expenditures through regular installment debt payments spread over the year. He is concerned with the size of his monthly payment, not how long he pays for a given item. Advertising and promotion programs should be based on these characteristics.

This gives sellers many opportunities. Promote larger sales by lengthening terms and, thereby, controlling the size of the monthly payment. Combination sales such as whole rooms of furniture or vacation wardrobes can be promoted this way.

The consumer is interested in obtaining his credit as simply and easily as possible with a minimum of negotiation over terms.

Train personnel carefully

Sales and credit personnel are the point of contact between you and your customer. Your credit man will understand the mechanics of the newer automatic type plans more readily than your salesman but it may be difficult for him to accept the fact that the new credit standards are less selective. Your salesman will accept this eagerly because it will help him make sales. Under the new automatic or revolving budget plan he will be given a chart which spells out terms and finance charges.

In a sense, this method turns over to the salesman a function previously handled exclusively by the credit office—negotiation of terms. Under this system salesmen will probably make larger unit sales, either higher quality goods or combinations of items, but they must not oversell credit in their enthusiasm. Encouraging the consumers to overextend is not good business in the long run.

Watch finance charges

Evidence is increasing that consumers are becoming more finance charge conscious and will shop for lower rates. If you are not breaking even on finance charge revenue you may want to raise your finance charges. This can be hazardous. One solution may be to scale your rates—higher rates for smaller loans. If you do not already offer credit life insurance, this may provide suffi-



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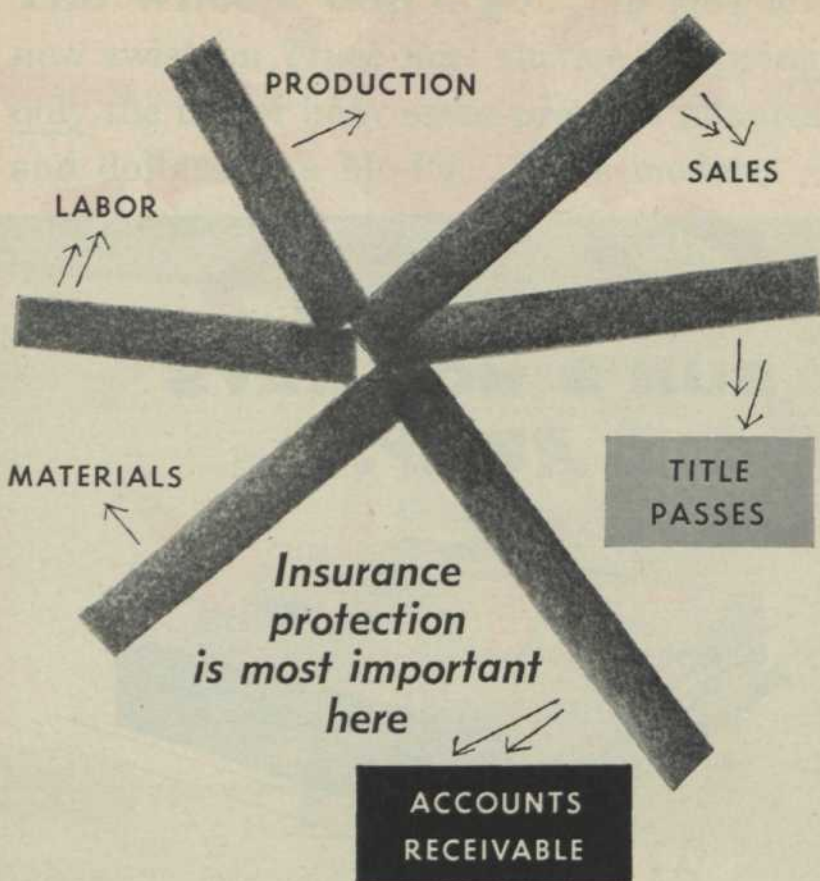


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CREDIT BOOM

continued

cient additional revenue to bring you to the break-even point. Remember that, unless you are a money lender, you are utilizing installment credit primarily as a merchandising tool.

Know and use the money market

Whether to carry your own installment paper or sell it depends upon your financial condition and how easily you can raise money. If you regularly borrow considerable money for short periods, you may decide to discount your paper. This will provide you with short term funds and clear credit lines for other borrowings. Alternatively, you can borrow on your paper, or turn the whole credit operation over to a bank by assigning your loans to them.

Plan for fluctuations

Although the outlook is for continued expansion in sales and installment credit, there is no assurance that this will occur evenly. Temporary plateaus and cyclical set backs cannot be ruled out.

You must guard against letting these temporary variations influence basic installment credit policies and practices. If outstandings suddenly look high relative to sales, or cash is short, the temptation is to tighten up. In periods of lagging sales the temptation is to loosen up on credit excessively. Terms and credit standards should remain consistent with your long-run sales and financial objectives. If you want to vary terms and standards seasonally and cyclically, do so but do it systematically and consistently.

Furthermore, if you adopt one of the automatic-chart type of installment plans, you have certain built-in safeguards.

Utilize cooperation

Many national distributors and manufacturers of consumer goods are ready to help you with your installment credit selling. Their assistance may range from defraying part of your costs to discounting your paper. A few also offer credit plans. At present these services are offered only by distributors of furniture and appliances. There are many opportunities in the future for an expansion of this type of cooperation.

—HAROLD WOLOZIN

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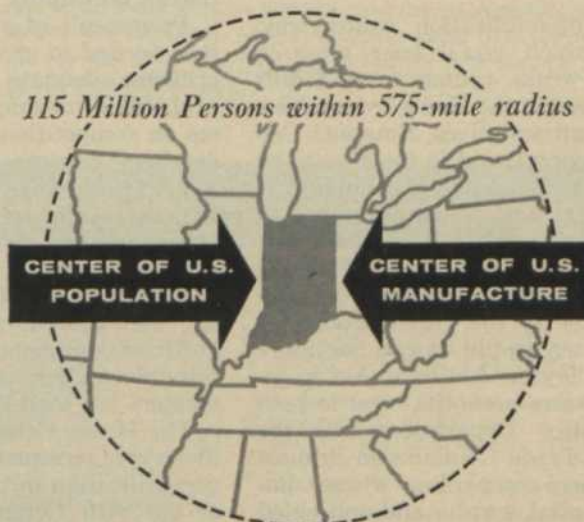
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Showdown NEAR ON PRE-MERGER ISSUE

Most businessmen oppose bills that would force them to disclose their merger plans in advance. Here's why

IRREPARABLE DAMAGE to business will result if Congress passes proposed legislation which would force companies to give the federal government advance notice of their intention to merge or transfer assets.

That's the conviction of many business leaders and their national organizations.

Merger prenotification is seen as a particularly serious threat to small and weak firms to which mergers may be the only feasible means by which they can stay in business or grow.

Other fundamental objections to prenotification are that:

- ▶ It provides for an unwarranted extension of governmental regulation of a broad range of business transactions under the guise of more effective antitrust enforcement.
- ▶ It would increase existing dual or overlapping jurisdiction over law enforcement in the antimerger field.
- ▶ Its need has not been substantiated.

The prenotification controversy, about which you'll hear more in coming weeks, centers around bills introduced in the House by two New York representatives, Emanuel Celler, Democrat, and in the Senate by Democrats Joseph C. O'Mahoney, of Wyoming, and Estes Kefauver of Tennessee.

The Celler bill, highlighted in recent hearings of an antitrust subcommittee of the House Judiciary Committee, would amend Section 7 of the Clayton Antitrust Act to require 60-day prenotification to both the Justice Department and the Federal Trade Commission in most cases where companies—whose combined capital, surplus and undivided profits exceed \$10 million—are contemplating corporate marriage.

Section 7 of the Clayton Act prohibits one corporation engaged in interstate commerce from acquiring stock or assets of another "where in any line of commerce in any section of the country, the effect of such acquisition may be substantially to lessen competition, or to tend to create a monopoly."

The \$10 million figure—originally \$5 million—was arrived at on the assumption that only mergers involving this much or more would have any significant economic impact.

Prenotification proposals are not new in Washington. A bill which would have established 90-day prenotification passed the House of Representatives in the past session of Congress, but was sidetracked in the Senate before conclusive action on it could be taken.

Present pressure for merger prenotification is coming primarily from officials of the Eisenhower Administration—but it has backing, too, among members of both major parties on Capitol Hill.

Proponents of prenotification say it is needed to give the federal government adequate time to assess the probable economic impact of mergers on competition before the mergers have become an accomplished fact. These same proponents claim that the courts are reluctant to "try to unscramble an egg once it has been scrambled."

Advocates of merger prenotification also say that present methods used by antitrust enforcement agencies to obtain information regarding proposed mergers are inadequate.

The House Committee on the Judiciary, in recommending passage of prenotification in the second session of the 84th Congress, pointed out that "at present the staff of the antitrust enforcement agencies must rely

upon newspapers, financial periodicals, trade journals and other publications for information regarding proposed mergers which the companies themselves could easily supply. These procedures are quite unsatisfactory, especially since many significant mergers are not publicized in advance of consummation."

Businessmen, on the other hand, are almost unanimously opposed to prenotification for numerous reasons.

One of the most frequently mentioned is that prenotification, instead of protecting competition, actually would tend to undermine it by giving authorities in Washington arbitrary power to forestall acquisitions which would promote competition through diversification of markets and lines of products, and strengthen the position of small or weak concerns.

Richard Wagner, chairman of the board of Champlin Oil and Refining Company, Chicago, testified to this effect as a witness for the U. S. Chamber of Commerce in the recent hearings of the House Judiciary Committee antitrust subcommittee.

Mr. Wagner said further: "It is entirely likely that many small business ventures are launched today only because the entrepreneurs know that they will always have an opportunity to sell on reasonably favorable terms to another member of the industry."

"The tendency to start new businesses might be slowed down if anyone thinking of going into business for himself knew that an advantageous sale of the business at some future date could be forestalled at the whim of a government bureau."

Another objection is that prenotification would be completely impractical—and harmful—from the standpoint of existing methods of doing business. A merger is a delicate thing. Its timing is tremendously important. If word of an impending merger or acquisition leaked out prematurely, a company, particularly a smaller or weaker company, might find its relations with its customers, suppliers and employees dangerously compromised.

Opponents of prenotification say the mandatory waiting period would enhance the risk of leaks and premature disclosure.

The critics say, too, that prenotification, coupled with a proposal to let the FTC get a court injunction to stay a merger while that agency studies it, would disrupt beneficial mergers without affording the parties involved the right to a judicial determination of the transaction. A prominent New York City business broker, whose clients are mostly small firms, comments that "if we got a

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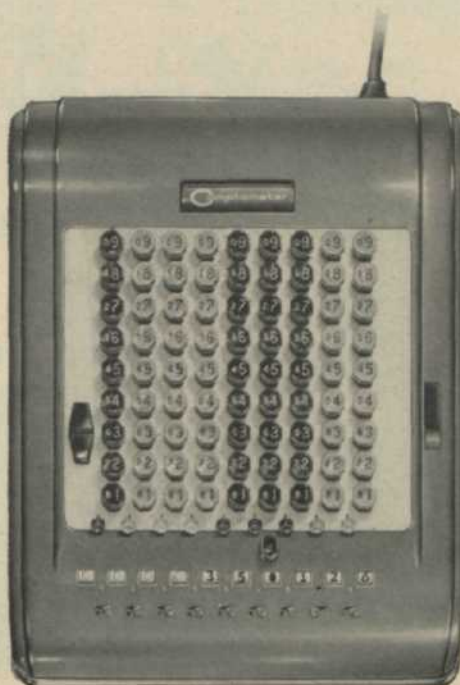


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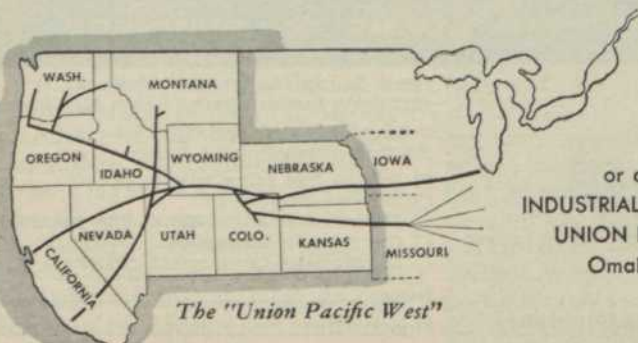
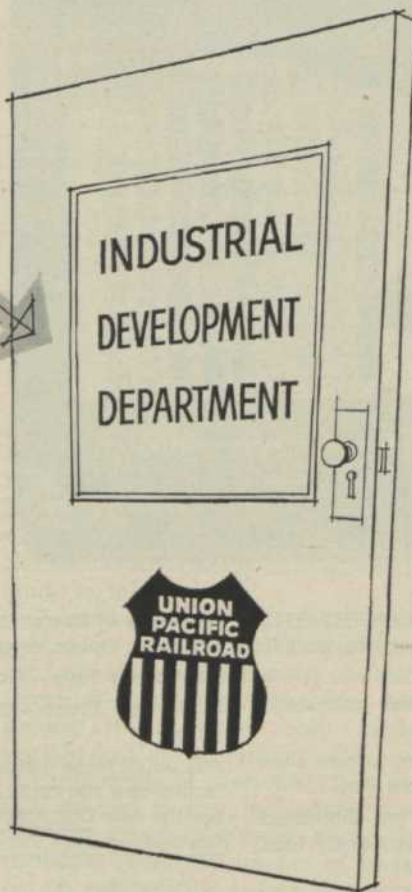
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PRE-MERGER

continued

law requiring prenotification for mergers involving more than \$10 million it would probably only be a matter of time before there would be clamor to extend it to mergers involving less than \$10 million.

"When that happened you would have a stupendous mess on your hands, because the law would thwart transactions reaching into millions of homes in all parts of the country."

Government spending, a popular subject now because of the mammoth, much-criticized Eisenhower budget, also figures in the prenotification fight. Here's why: Both the Federal Trade Commission and the Justice Department presently are engaged in antimerger enforcement. Prenotice, if made law, would necessitate a great increase in business communication with both of these agencies and this increase in red tape would bring with it a need for more government personnel to handle the increased paper load, and more government personnel means more tax dollars would be needed to pay their salaries, etc.

Opponents of the prenotification bills also have pointed out that the notice, waiting period and other requirements—one of which is that the parties furnish further "relevant information" upon FTC or Justice Department request—would not be limited to transactions which are mergers or consolidations, or to transactions which might lessen competition or tend to create a monopoly.

"A virtually endless list could be compiled of the types of transactions that would be covered by these requirements," asserts Mr. Wagner.

U. S. Chamber Associate General Counsel Milton A. Smith last year told a Senate Judiciary subcommittee that there has been no substantiation of the contention of the FTC and the Justice Department that antitrust law enforcement is hampered where a merger or acquisition has been completed.

He pointed out that neither agency had shown any instance where a court, having found that a transaction violated the antitrust laws, refused appropriate relief merely because the "assets had been scrambled."

In renewing their support for this legislation in recent hearings, spokesmen for both the FTC and Justice again failed to cite any specific court rulings to prove their claim that present provisions of law are inadequate to deal with monopolistic mergers, Mr. Smith says.

END



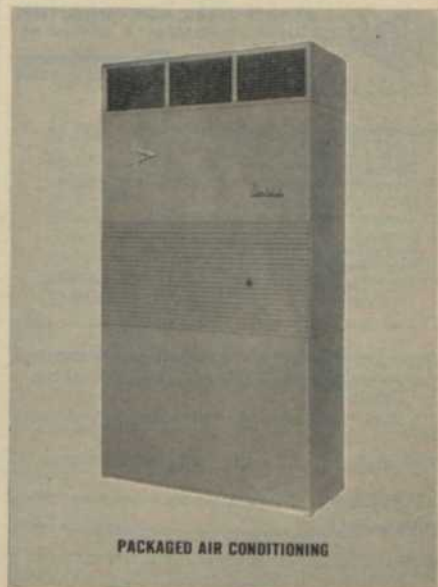
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Executive Trends

Demand for management consultants will rise

An increasing number of companies are turning to management consultants for help in solving problems brought on by the furious progress of industrial technology and rapid postwar business expansion. Large and small firms alike are seeking the consultants' aid. There's every indication that the reliance of management on outside experts will continue—and intensify—in the days ahead.

►Consulting is itself one of the fastest growing businesses in America. The Association of Consulting Management Engineers, Inc., 25 years old this year, estimates that the number of firms in the field is increasing 10 per cent a year. ACME says about 2,000 consulting organizations are operating now, figures their annual gross billings at more than \$525 million.

When should you call in a consultant?

Best general answer is—when you've tried to solve a persistent problem in your business and can't. To this ACME adds, "When management suspects that problems exist, or wishes to assure itself that they do not, and feels that the true state of affairs can be ascertained only through a complete and objective examination by personnel who know what to look for and who can take a broader view than those preoccupied with the details of day-to-day operations." Objectivity of the consultant is perhaps his most valuable asset.

►If you're in doubt about your need for a consultant, contact one anyway. Your bank, trade association, business acquaintances or legal counsel can usually provide leads, recommendations. When the consultant calls on you, outline for him what you believe your problem to be. He'll be frank about how he would handle problem—if there is one—and he'll give you an estimate of what his firm's services will cost.

Consultants tackle many problems

An official of one of the country's largest and oldest consulting organizations says about one half of the cases handled by his company center around organizational problems—how to decentralize decision-making power in a strongly centralized but growing company, for example. Consultants also advise on installing new processes, techniques, provide analysis on wide range of questions. About 60 per cent of consulting firms are general consultants, that is they offer counsel in two or more areas of management.

►More and more consultants are being called in by top business management as generalists to advise at policy levels, rather than just to provide specialized services that companies cannot afford to build into their own staffs.

Companies will grow their own

That's the forecast of one forward-looking consultant. He says increasing professionalism of management will generate need for

staff people whose specialty is advising on the management function (planning, coordinating, controlling, etc.). When this comes, business will indeed be growing its own consultants. But there will always be demand for impartial and objective outside experts.

►In many cases management can achieve its objectives at less cost by hiring a consultant than by adding to its permanent staff. This is one of consultancy's strongest selling points. Yet some executives strongly oppose the idea of calling in outsiders to help in solving company problems. Their argument: By turning the job over to a temporarily employed outsider you deprive the firm's regular personnel of the opportunity to gain experience, development in studying and solving company problems.

Let's look at the cost factor

Most consultants do not use formal contracts as a basis for working with clients, but bill either on a time basis or in terms of the nature and proportion of the problem they are called on to help solve. Thus a product diversification assignment is likely to carry a higher price tag than installation of a job evaluation program. Since the consultants really have nothing to sell but experience, their individual fees vary in line with their seniority and standing with the firm, range from \$85 to \$300 a day.

►Size of management consulting firms ranges from one-man, part-time operations to large firms with many branch offices and staffs of several hundred highly trained specialists. Some of the larger organizations report sharp rise in demand for their services overseas. They're sending teams to handle management studies for foreign firms, governments, spreading U. S. managerial know-how to all parts of the world.

Guidelines for best results

ACME emphasizes that no assignment turned over to a consultant will produce beneficial results unless management has a genuine desire for it to work out. From that premise, ACME says, you should then thoroughly define the problem, agree with the consultant on the procedure to be followed in attacking it. In addition, management should make sure that company personnel know of consultant's assignment in advance, know he's being called in for constructive purpose; that consultant gets honest briefing on all aspects of the work and personalities involved; that consultant coordinates his efforts closely with a specified individual or group within management.

►Following these steps will save possible hurt feelings among members of your staff, keep consultant closely in tune with particular objectives and problems of your business. When job has been completed you can stamp it a success if it has been handled without upsetting your organization; its cost was reasonably close to estimate; the consultant's recommendations are accepted as practical by management.

Consultants are no substitute for good management

That's important point to remember. Consultants themselves stress fact that they aren't miracle-workers, can't make your decisions for you. Rather, consultants see themselves as allies of management, as support forces. They bring to bear on your particular problem the broad knowledge they get from digging into problems, progress of many companies.

►Code of Ethics of ACME is good indication of direction in which consultancy is moving, how it views its responsibilities. Code says, in part: "We will endeavor so to serve our clients that our work will bring about permanent benefits . . . we will maintain an objective and unbiased attitude and will always be governed by best interests of the client . . . we will be guided in our work by the increasingly preponderant importance of human relations."

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is habitual . . .



not a one-shot effort

ANY BUSINESS can cut its costs.

Wielding the economy blade deftly enough to make reductions stick and produce higher profits is the problem.

In times of crisis it may be sufficient to call in your lieutenants and say, "We're going to cut one third off our costs," but this is not a sound tactic in normal times. Neither is the "blow hot and cold" approach in which the chief executive orders cost cuts every few months and then loses interest shortly after each order is issued.

Men who have probed the cost problems of hundreds of companies say that cost cutting works most successfully for companies which methodically:

- ▶ Approach the problem properly
- ▶ Set up a rational cost-cutting program
- ▶ Know where to look for economies.

With today's high prices for materials, soaring wages, expense of new equipment and burdensome tax levies, many firms have hustled for more business only to find that rising sales haven't brought the profits they expected.

As a result, notes Wilson T. Seney, a senior management consultant with McKinsey & Co., a company may be tempted to act expediently to chop costs and eliminate a necessary operation—thus cutting off its nose to spite its face. That's why a hard look at your business and your goals is the wise approach to cost cutting.

The approach

To decide whether you are getting results from the dollars you spend Mr. Seney recommends that you measure each operation of your business against these yardsticks:

- Is it accomplishing its purpose?
- Is the purpose worth while?
- If so, can the purpose be achieved a cheaper and better way?

Once you take this hard look, the answers can tell you if you are ready to set up the cost-cutting machinery.

The program

Cost-cutting technique, says McKinsey & Company's Robert P. Neuschel, requires recognition of five basic truths:

1. Cost reduction is habitual, not a one-shot effort.
2. Cost cutting is a team job.
3. Administering the program is a tougher job than getting cost-paring ideas.
4. Cost tools—data showing how the cost dollar breaks down—must be available down to the lowest levels.
5. Goals must be set and people must be held responsible for meeting them.

The National Industrial Conference Board has found that some companies set up cost-saving committees to get cutting underway. Whether your business is large enough to need a committee or not, someone will have to supervise the program, guide it and assign tasks, set down its purpose and stress its importance. Once this is done an intense review of your operations can begin. This review will take teamwork because complex business operations often involve line and staff personnel as well as union labor.

The department head or foreman usually is a key man in any cost-

saving program. He's closest to the people who use the materials and tools, and who handle and move the product. These supervisors can spur enthusiasm for a program and can spot savings on the working level. The supervisor or worker who knows that cost saving is part of his job, that his performance will influence his pay and promotion, naturally is encouraged to work harder for savings.

Teamwork, combined with a searching analysis of the effect of a cost-cutting idea, recently saved one company money. Mr. Seney tells of plant engineers who figured production costs could be slashed on one item by increasing the length of the production run. However, other members of the company's team discovered that holding the finished item in inventory and risking obsolescence could cost more than could be saved by longer runs.

"You can use all sorts of automation techniques, but a most important factor in the cost reduction is the personalities to implement it," says Clifford Craft, director of special projects, American Management Association.

"Your cost-cutting program can be only as effective as the men who run it," says Mr. Neuschel.

"Methods analysis, work simplification, graphic reports of quality tests all have their place," says Mr. Neuschel, but firms which get the best results make sure they do an effective job of selling the importance of the cost program to employees, make cost saving a normal part of company operations, and define the part each person must play, hold him accountable, and check on performance.

"You have to make sure executives are held accountable for keeping costs in line with standards—the preplanned measurement you set up," cautions Mr. Seney.

The National Industrial Conference Board also found in a survey of manufacturers that many firms which succeeded in lowering their costs had organized programs with clear lines of responsibility, informed their personnel of economy goals and set up cost-saving budgets.

To get the most mileage from a cost-cutting program, usable information on where the dollars are going must be made available where it is needed in your organization. Mr. Neuschel recalls one large company which had a highly developed cost-control department, but the cost information never got below the factory superintendent. The firm eventually learned that when its foremen also were given the cost data, they not only could turn up savings, but they felt more a part of management.

By putting each activity or operation under the microscope, you can decide what improvements to make and develop cost-reduction standards and budgets.

The old English proverb: "He that counts all costs will never put plough in the earth" is poor advice for effective cost cutters. You have to stop and count all costs to do a thorough saving job.

"You should know what your fixed and variable costs are and how reductions in each would affect your operations," says Mr. Seney. "All factors must be taken into account and related to return on your investment."

Where to look

In scrutinizing your business, you can consider possible improvement in performance, work techniques and equipment, suggests Mr. Neuschel. Here are some specific questions to ask:

Is any work being done that doesn't jibe with your type of business?

Is your equipment being used properly?

Do you have departmentalized maintenance where central maintenance operation would be cheaper?

Is there waste of materials or misuse of equipment because of under-trained workers? Are all overtime costs necessary or could working

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HERE'S WAY TO CUT COSTS *continued*

hours be better planned? Is any department overstaffed because work loads haven't been correctly calculated?

Is there a better sequence for performing an operation?

Can any operations or parts be eliminated, combined, simplified or standardized?

Can a plant or equipment be modernized, redesigned, automated?

Production, as a cost-saving area, has been picked over pretty carefully in recent years, cost analysts say.

Mr. Seney points to three promising areas where cost cuts and controls can be applied: distribution, information to management, and paperwork.

New modes of transportation, such as air freight and piggyback (hauling truck trailers aboard railroad cars), shifting population, and the increase of sales nationwide have necessitated a review of distribution methods for many a company.

If companies would break down their costs for individual distributors, rather than for districts, some might find that the business they do with certain distributors is unprofitable, Mr. Seney suggests. Firms have found that they were supporting unprofitable distributors, or that some distributors weren't netting a profit on some lines they were carrying, though over-all sales were high.

Many companies are slicing their selling costs by increasing the number of sales calls per day, according to a survey by *Dun's Review and Modern Industry*. Sales territories are being re-charted so more time can be spent with customers now demanding more service. More branch offices are being set up. Sales research is helping locate more prospects. Salesmen get retraining in new markets and methods. Time studies are being made to pinpoint wasted moments.

Don't swamp your employees with more information than they can use, Mr. Seney cautions. Many dollars can be saved with fewer reports with fewer figures to fewer people. Some test questions to ask about reports are:

"Do I really need and use it?"

"How often do I need it?"

"Can my subordinate use it better than I can?"

A few companies are weeding out reports and developing new data to give management fast and useful information on all important elements of their business operations. [See "Key Facts Mean Better Profits," *NATION'S BUSINESS*, March, 1957.]

Companies should be alert to the implications of statistical theory in reducing paperwork, too, says Mr. Seney. Some railroads, according to Robert B. Curry, comptroller of the Southern Railway System, are reducing their paperwork as well as their errors by auditing only a scientifically obtained sample of invoices. This cuts the cost and time in checking the deluge of paperwork created by railroad interbilling. Often as much time is spent adding a bill for \$50 as one for \$500. "You shouldn't spend dollars chasing pennies," says Mr. Curry, when small samples can be checked with accuracy.

An oil company saved thousands of dollars with one paperwork reduction decision. It found that 85 per cent of the items in inventory were comparatively inexpensive. So, instead of requiring that each item be recorded in the balance sheet for inventory and an issue slip written on each, items were merely charged off to expense for maintenance as they were issued. With this change, eight clerks were no longer needed. Payroll reduction: \$40,000 a year.

Cost reduction and control in inventory is another tremendous area for potential savings, according to Donald G. Malcolm of Booz, Allen and Hamilton, management consultants. This area is particularly ripe

for cost-cutting today, what with more and more customers insisting that manufacturers carry their inventory, and with the trend toward integrating and diversifying.

Inventory problems cut across all organizational lines from purchasing to distribution. The book value of manufacturing and trade inventories totalled \$88 billion at the Commerce Department's last count in January, some \$6 billion higher than the year before.

Mr. Malcolm says his firm has successfully used operations research—application of the rational, usually mathematical, approach to problem solving—in attacking inventory problems. A production-to-order manufacturer his firm worked with recently can now look forward to savings of about \$120,000 a year, better service to its customers and possibly more sales.

The manufacturer had the problem of a growing inventory and wanted to know what its in-process stocks should be. The consulting firm estimated all costs, from storage to expediting expense, and stated these costs in terms of production time. Then, through a mathematical analysis, it determined what production time would minimize production costs and advised stocking inventories to permit this.

To check inventory costs, here are some questions Mr. Malcolm suggests asking yourself:

Are you stocking enough parts for your production time, or do you have to sneak parts from other orders?

Are you stocking so much inventory that you never run out? This generally is a costly investment.

Are you stocking the right parts?

Do you have established maximum and minimum levels?

Are you cutting inventory on the basis of what other companies are doing? This may not be the best policy.

Do you take the cost of expediting—speeding production—into account when figuring inventory costs? This usually is a hidden inventory investment.

When sales increase, Mr. Malcolm notes, there ordinarily should be less than a proportionate increase in the supporting inventory. And when sales drop off, the supporting inventory should not be cut by the same proportion.

After you have analyzed all the costs of your business and have decided how the economy blade should be wielded, where do you begin amputating? According to Mr. Neuschel, priority of projects often doesn't get the attention it should. These elements should be considered.

The amount of money that can be saved.

How much time it will take to make the improvement.

The manpower or equipment needed to make the cost saving.

How much money it will cost to do the cutting job.

Conditions in the department or area where the cut will come.

Pruning where it can be done quickly and easily might be the best approach, Mr. Neuschel advises. Too often, he says, a cost reduction project flops if it takes so long that enthusiasm begins to wane. Attacking too many projects at once also brings problems because those in charge of carrying out the cost cuts are spread too thin to do the job. It's a good idea to set a definite beginning and ending date where possible.

Some final tips: Make sure those who carry out the program know its objectives and, if possible, that they agree; get regular reports which show whether cuts are being made in line with the objectives. **END**

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MAINTAINS A SOLID FRONT FOR BUSINESS — The Chamber works to keep the machinery of the organized business movement in good working order—to keep the organizations which comprise the national business federation increasingly strong, unified, and moving ahead in the same direction to achieve their common goals.

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BUILD KNOW-HOW

continued from page 35

almost unanimous acclaim for its value as a training device.

Played over a two-day period at the International Business Machines Data Processing Center on Church Street, the game was divided into two leagues, with five teams of three members each competing in each section.

Here, in brief, is how the game is played.

Each team—or company—starts with the same initial assets (\$10.1 million in the New York trial), the same number of units of plant capacity (1,010,000), the same product price (\$5), and a fixed total market, 4.5 million units. The point is to see how well each company, in the face of competition, can improve its position from quarter to quarter.

It is assumed that all of the competing companies are working with the same product and only quantitative factors of operation are considered. Thus, the human relations side of business does not enter directly into the play—at least not in the game's present form.

Each company is given a playing sheet, or operating report, which contains such information as the total assets for each company, total market, units of potential sales. "Operation and Decision Information" shown on the sheet includes opening inventory, unit cost of production, units of production. The final category of information lists the "Decision Alternates." These are a range of possible choices which the competing company may make for expenditures for production, marketing, research and development, additional plant investment and for information on competitors' share of the market, total industry marketing expenditures, etc.

The players' first action is to organize their companies. Usually this means the election of a president, vice president and controller. The duties of a three-man team tend to break down into, a) one man to handle controls, record keeping (controller), b) one man to watch the strategy and progress of competitors (vice president) and, c) one man to make final decisions (president).

In some of the trials held so far one individual has tended to dominate the team's decision-making in the early stages. As the game progresses, however, decision-making becomes more and more a team effort.

As the game opens, each company must decide how much it wants to

allocate for production, how much it wants to invest in research and development, how much, if any, information on its competitors it wants to buy, and so on. Physical separation of the teams makes it impossible for one team to know what other teams are doing.

The various decisions are made by circling the desired number or amounts on the playing sheet.

In the early quarters, the Game Control Group allows competing firms about 20 minutes to make their decisions and turn them in for processing. This period is shortened as the game moves along and the players grow more familiar with the model with which they are working.

When the decisions for each quarter are in, a key punch operator punches a single card for each team, incorporating all of the teams' choices. The control group then feeds this information into an IBM 650 magnetic drum computer, which calculates income and balance statements for each company for the quarter within a matter of minutes, and feeds out cards with the new competitive position of each team.

An IBM 407 printer then produces the necessary operating reports, performance, annual and market research reports. After receiving its income statement, each company then budgets for the next quarter—based on its new asset position—and sets the price for its product.

Interestingly, at each new phase of the game more than 1 million combinations of decision choices are available.

In the New York trial of the game the players went at it for two days and, when the competition was halted, they had played for 20 quarters—five years of business. Players regard this remarkable time compression as one of the game's greatest advantages.

After the playing ends the players are permitted to look at charts on which the AMA staff has plotted the progress of each company in five major areas—Unit Price, Total Assets, Units of Production, Share of the Market, and Marketing and R & D.

While no definite criteria for winning the game have been established, the team with the best comparative total assets position at the end of the game is regarded as the winner. Tests of the game so far have seen fairly wide variations in the total assets standing of the competing companies at game's end. And in all tests so far the charts have revealed that the lead in total assets and share of the market changed hands many times in the course of play.

How realistic is executive gaming,



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and just how valuable will it be to business in the long run?

The men who have played the AMA game differ somewhat in their assessment of the degree of realism in the game, but virtually all believe the game has real promise as a training instrument.

"The game suffers somewhat from its lack of random occurrences, such as those which frequently affect real-life business operations and decisions," observes Patrick J. Robinson, coordinator of marketing research for Imperial Oil Limited, Toronto, Can., who played the game in New York.

"But I enjoyed playing the game and I feel that it has great possibilities for in-company training as well as for use in business schools."

Paul W. Pinkerton, partner in Haskins & Sells, New York, who also participated in the New York experiment, felt that the built-in inflexibility of the total market factor in the game was a shortcoming. He wondered why, for example, the game couldn't be adjusted so that total market would expand under the impetus of increased advertising expenditures faster than the rate of expansion.

"However, I feel that the game will contribute greatly to broadening the outlook of specialists in industry," added Mr. Pinkerton.

He pointed out that a marketing specialist playing the game would come to realize the importance of such company problems as budgeting.

"This could develop in him a more reasonable attitude toward budgeting, especially if he's the sort who, in his own company, always wants unlimited spending power."

Other players agreed that this broader insight into company problems is one of the game's key values. A typical comment was, "The game taught me to see the total operation . . . how all departments fit into the picture."

Another, not uncommon point of view was expressed by George W. Chane, manager of the management service department, Eastern Division, Ernst & Ernst, New York. Mr. Chane's company wound up in first place in one of the two games played at the AMA preview.

"The game demonstrates once again the complexity of running a modern business. It shows you that you can't do it by rule of thumb. I believe the game will make a really substantial contribution to the training of junior executives and, later on—as it develops—to the training of upper echelon executives."

The game as it now stands undoubtedly differs in some important



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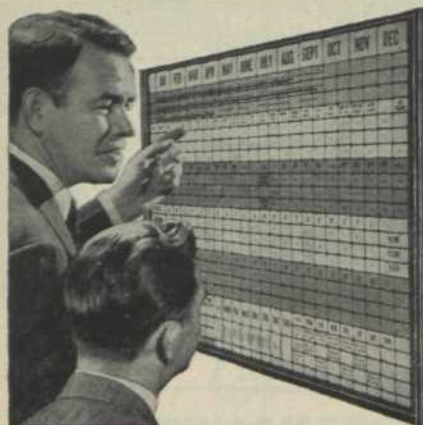
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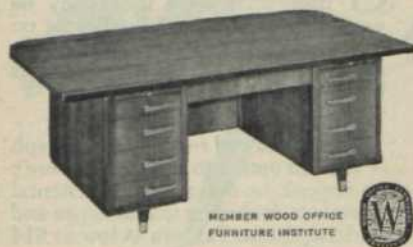
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BUILD KNOW-HOW

continued

aspects from real-life operation. It rules out mergers and liquidations, for example, and ignores completely the nuances of human relations.

In spite of this it achieves surprising realism in other ways. It poses problems exactly like those which managers face in daily business activities. Many of the assumptions on which the game operates (for example, higher price will make your product less desirable in a competitive market; research and development expenditures will help you attain lower costs—up to a point) are completely realistic. The choices of action which the game opens up are authentic also. Thus, a company can shoot for high quality in its product, try for bigness and high profit operation, but, like many a real-life company, it can't spend more than it has, and, if it persistently acts rashly, it may find its total assets and share of the market tobogganing.

The Top Management Decision-Making Game was developed by a five-member research team headed by Franc M. Ricciardi, vice president in charge of divisions for AMA.

Working with him were: Clifford J. Craft, director of special projects, AMA; Donald G. Malcolm, director, operations research, Booz, Allen & Hamilton, Chicago; Dr. Richard Bellman, RAND Corporation, Santa Monica, Calif.; and Dr. Charles E. Clark, consultant in operations research, Booz, Allen & Hamilton.

International Business Machines Corporation cooperated in setting up the computer's role in the game.

Mr. Ricciardi concedes that the game has limitations.

"But," he adds, "it offers great possibilities for improving judgment and reasoning capacity." In short, by taking the players through the actual experience of decision-making it will give them an intuitive feel for decision-making and equip them to act more quickly and efficiently on the actual business decisions which they will have to make later on.

The game has other values, too. One of these is role-playing. An advertising director playing the decision game may find himself elected president of one of the team-companies. He'll begin to see things from a different point of view. He'll come to respect and appreciate the problems and pressures which beset a company president. This new knowledge, carried back to his organization, will make him a more valuable member of the management team.

Mr. Ricciardi emphasizes that the game is not intended as a test for

executives, but is simply another training tool . . . "an experience."

"The businessmen who have fared best in playing the game have been those who exercised good, common business sense," he asserts. "In the trial runs we've found that businessmen do better than mathematicians and technicians whom you might expect to try to outguess the playing model."

Is it possible to play a perfect game? Yes, but no one has so far.

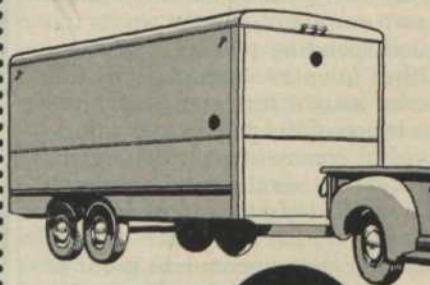
Mr. Ricciardi feels that the heterogeneous composition of the teams is an asset which cannot be overemphasized. "We would never put three staff people together on a team, for example," he says. "We try to mix up line people with staff people so that the players get the benefit of a broadened, fresh point of view."

While the new game has produced no pat formula for sure-fire, never-fail methods of making decisions in business it has pointed up the importance of several principles:

1. A company must keep adequate, up-to-date controls on such elements as profits, plant capacity, sales, etc. Generally speaking, the teams which have done best in the game have been those whose members kept the best control records.

2. Rashness should be avoided. There is a point, for example, be-

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yond which expenditures for research and development fail to yield a return.

3. You need to learn about your competitors. One of the teams which took a shellacking in the New York experiment complained that it had failed to buy enough information on its competitors. Here again, however, there is a fine line at which a company must decide to cut off spending for information. You can buy too much as well as too little.

4. The best decisions are those which are made calmly. Some of the players admitted later that, when they looked at their quarterly and annual reports and saw their position had worsened they got panicky, acted rashly. Result: Things got worse instead of better.

Mr. Ricciardi and his associates are already planning refinements in the game. They expect to add new factors to make it trickier and even closer to real life. For one thing, they want to change the model so that it will permit companies to launch new products.

There's no patent on the AMA product and officials of that organization expect other groups to devise their own versions of gaming. Already a limited amount of research has been done in other quarters, with particular emphasis on the use of simulation, or game theory, as a means of solving problems before they arise—of eliminating the potential pitfalls in a business operation.

Operations research, the use of sophisticated mathematics, queuing theory and other developments are spurring progress in the field. It now appears entirely possible that future managers will act out competitive situations in advance, anticipate the strategies of their competitors and devise counteractions for any possible act by a competitor—or combinations of actions. The decision-making game will find its place in this arsenal.

A company, for example—desiring to anticipate the probable strategy of its principal competitor—might divide its management team into two parts, one representing itself, the other its competitor. Using methods like those in the new decision game, the company could thus determine in detail the probable moves of a competitor, and how to meet them. The hitch, of course, is that the rival company might be doing the same thing.

END

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FARM PLAN

continued from page 104

Department offers a 10 per cent bonus each year for keeping the same land in the bank.

3. The soil bank is being used for private financial gain in ways the Administration or Congress never envisioned. There have been reports, for example, that some investors are buying up farms, putting them entirely into the soil bank, and coming out ahead on the rental payments from the government. The Agriculture Department concedes this is probably being done—reports show almost one fifth of the 56,600 conservation reserve contracts are for entire farms—but argues that "a farm is a farm, and it doesn't matter who owns it, as long as it is out of production."

More seriously, some farmers are using the soil bank to get payments on land they were just about ready to stop planting anyhow. For example, many elderly farmers are reported to be taking advantage of the plan either to withdraw entirely from farming or to cut back on their workload. Chances were that, in many cases, they would have withdrawn or cut back their planting even without the soil bank. This way they're getting paid for it. Reports also indicate that some farmers with sons called to service have found the program a heaven-sent means of getting payment on land they would have been forced to stop cultivating anyhow.

4. The soil bank has been widely used as a form of free, sure-fire crop insurance. The Agriculture Department promotes it that way. Among the advantages claimed for the program in a recent Department publication is this: "Protection against crop failure. Farmers who put land in the acreage reserve will receive payments based on normal yields from these acres even though drought or some other natural disaster lowers production on other land."

There is no question that many farmers in the drought area seized upon the 1956 soil bank program as a type of crop insurance. Under it, they were able to collect a normal return on at least part of their land, despite the beating they took from Mother Nature. Farmer Edgar Uibright of Brewster, Minn., an enthusiastic supporter of the soil bank, recently told a touring House Appropriations subcommittee:

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insects, plant diseases and other typical agricultural calamities.

5. *There's a strong tendency to view the soil bank as a supplementary price support or even as a relief program.* Some congressmen have tried to pump out soil bank money to more farmers by adding other types of crops to the acreage reserve—feed grains, soybeans, flaxseed, even grazing land. After the Administration ordered some additional cuts in farm price guarantees early this year, there was an immediate move in Congress to tack on to the soil bank a subsidy program for other crops that might have cost an additional \$500 million to \$1 billion a year.

6. *The administration of the program has hurt many farmers.* Differences in the per acre rent payment between neighboring counties and neighboring states have caused many complaints. During the hastily set-up 1956 program, there was almost war between North and South Dakota. A South Dakota stabilization and conservation committee set the appraised yield figure for one county lower than a North Dakota county committee set it for a county just across the state line.

Southern cotton representatives complain that too much of the soil-bank outlay is going to midwestern corn and wheat growers. "No national farm program makes sense," the *Atlanta Constitution* recently said in an editorial, "when a state such as Georgia is allocated less than \$11 million for cotton acreage while Kansas is allowed more than \$81 million for wheat."

What is the outlook?

As of the moment, the Administration is talking about a 1958 soil bank program on the same scale as this year. It may propose some changes—for example, some Agriculture Department officials feel that legislation may be needed to block farmers from using land withdrawn for the soil bank to produce other crops in already heavy supply. More important, there will be tremendous pressures in Congress to expand the bank. And all of the major farm organizations have proposals for changes—some overhauling administration of the program, some restricting it, some enlarging it.

—CHARLES B. SEIB

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The Department of Health, Education, and Welfare has sent Congress a proposed bill to provide for the establishment of a Federal Advisory Council on the Arts.

The President, in his State of the Union Message of January 6, 1955, recommended such a step as a means to encourage artistic efforts and appreciation among the American people. A bill was submitted then but was not enacted.

In sending the new bill to Congress, Secretary of Health, Education, and Welfare Marion B. Folsom said that special care had been taken to insure that the proposed Council would not be in conflict with or duplicate the authority of the Commission of Fine Arts established by an Act of Congress in 1910. This Commission is concerned primarily with public buildings, parks, and monuments.

"The United States, despite its relative youth, is rich in artistic achievement," Secretary Folsom said. "Yet, the Nation should search for new ways for the American people to enjoy and participate in the arts.

"Philanthropic individuals and private and public organizations have provided strong support for the arts and properly so. The National Government, however, has not lent its encouragement and prestige to the arts to the extent that it should. Workers in the arts, by and large, have not been given the encouragement and recognition enjoyed by those in other difficult fields of endeavor.

"The proposed Council would explore ways and means of making up for these deficiencies in the interests of the Nation's total cultural advancement."

The proposed legislation recognizes:

1. That growth and progress in the arts depend upon freedom, imagination and individual initiative.
2. That the encouragement of creative activity in the practice of the arts and of public appreciation of the arts is important to the general welfare and national progress.
3. That encouragement of the arts, while primarily a matter for private and local initiative, is also an appropriate matter of concern to the United States Government.

The proposed Council would be composed of 21 members appointed by the President for six-year terms. It is the intent of the legislation that the major art fields be represented on the Council.

All Federal departments and agencies would be authorized to submit requests for Council studies to the Secretary of Health, Education, and Welfare.

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This news release comes from a government that has just proposed the largest peacetime budget in history and might better be suggesting ways to reduce expenses rather than to expand them. Soviet Russia and Nazi Germany have already demonstrated how government sponsorship stultifies rather than encourages artistic effort.



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